2815. Also, petition of the Women's International League for Peace and Freedom, Seattle, Wash., favoring the Nye-Clark-Bone bill and opposing the Pittman bill and Thomas amendment; to the Committee on Foreign Affairs.

2816. Also, petition of the Women's International League for Peace and Freedom, Hudson County group, Jersey City, N. J., favoring the Nye-Bone-Clark bill or retention of the present Neutrality Act; to the Committee on Foreign Affairs.

2817. Also, petition of the Essington Co., Fort Wayne, Ind., favoring strict neutrality legislation; to the Committee on Foreign Affairs.

2818. Also, petition of the Anthony Wayne Oil Corporation, Fort Wayne, Ind., favoring a strict neutrality bill; to the Committee on Foreign Affairs.

2819. Also, petition of the Borough League of Brooklyn, Inc., Brooklyn, N. Y., endorsing House bill 118, by Congressman VOORHIS of California; to the Committee on the Civil Service.

2820. By Mr. SCHIFFLER: Petition of Bernard J. Killeen and Mary Ann Rush, president and secretary of Local 102, United Federal Workers of America, recommending the early passage of House bill 960 when restored to its original objective; to the Committee on the Civil Service.

2821. Also, petition of Hon. Raphael P. Deegan, mayor of Benwood, W. Va., protesting against the construction of the Lake Erie to Ohio River Canal; to the Committee on Military Affairs.

2822. By Mr. SHAFER of Michigan: Resolution of the board of management, International Center of Detroit, Young Women's Christian Association, relative to employment of aliens on W. P. A. projects; to the Committee on Appropriations.

2823. Also, memorial of the Michigan Legislature, requesting amendment of the Sugar Act to provide a larger share of the American sugar market for the American farmer; to the Committee on Ways and Means.

2824. Also, resolution of Agriculture Local, No. 2, United Federal Workers of America, requesting amendment of present retirement legislation; to the Committee on the Civil Service.

2825. By Mr. VAN ZANDT: Resolution of Mary C. Donahue, president, and members of Sandy Township Townsend Club, No. 2, of Du Bois, Pa., urging a return of purchasing power to the majority of the American people and the reemployment of millions of citizens; criticizing the Social Security Act as inadequate and useless; and favoring the adoption of the Townsend national recovery plan as a uniform means of an adequate system of old-age pensions; to the Committee on Ways and Means.

2826. By the SPEAKER: Petition of the State Camp of Pennsylvania, Patriotic Order Sons of America, Philadelphia, Pa., petitioning consideration of their resolution with reference to religious liberty; to the Committee on Foreign Affairs.

SENATE

TUESDAY, MAY 2, 1939

(Legislative day of Monday, May 1, 1939)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The Chaplain, Rev. ZeBarney T. Phillips, D. D., offered the following prayer:

Almighty God, Thou everlasting gracious Power, of whom the manifold universe is a manifold revelation: We worship Thee in the myriad unfoldings of Thy creative beauty, and especially in the conscious loveliness of our fair world, vouchsafed to us, with whom are eyes to see the glorious pageant of Thy divine artistry.

We bless Thee for Thy renewing springs within us, springs of aspiration, hope, and love; for the progress which time brings, albeit the world doth move with faltering steps and slow; and we beseech Thee to grant us the adequacy needful for our work and for the overcoming of those temptations which we daily meet with. Forgive us all our sins, negligence, and ignorances, that the strength of each may be as the strength of ten because our hearts are pure and our minds naked and open before the eyes of Him with whom we have to do.

We ask it in the name of Thy Son, who is a Priest forever, not after the law of a carnal commandment but after the power of an endless life, Jesus Christ our Lord. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Monday, May 1, 1939, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. MINTON. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Donahey	King	Reynolds
Andrews	Downey	La Follette	Russell
Ashurst	Ellender	Lee	Schwartz
Austin	Frazier	Lodge	Schwellenbach
Bailey	George	Logan	Sheppard
Bankhead	Gerry	Lucas	Shipstead
Barbour	Gibson	Lundeen	Slattery
Barkley	Gillette	McCarran	Smith
Bilbo	Glass	McKellar	Taft
Bone	Green	McNary	Thomas, Okla.
Borah	Guffey	Maloney	Thomas, Utah
Bulow	Gurney	Miller	Tobey
Burke	Hale	Minton	Townsend
Byrd	Harrison	Murray	Truman
Byrnes	Hatch	Neely	Tydings
Capper	Hayden	Norris	Vandenberg
Caraway	Hill	Nye	Wagner
Chavez	Holman	O'Mahoney	Walsh
Clark, Idaho	Holt	Overton	Wheeler
Clark, Mo.	Hughes	Pepper	White
Connally	Johnson, Calif.	Pittman	Wiley
Danaher	Johnson, Colo.	Reed	

Mr. MINTON. I announce that the Senator from Indiana [Mr. VAN NUYS] is detained from the Senate because of illness.

The Senator from Maryland [Mr. RADCLIFFE] and the Senator from New Jersey [Mr. SMATHERS] are unavoidably detained.

The Senator from Michigan [Mr. BROWN], the Senator from Iowa [Mr. HERRING], the Senator from New York [Mr. MEAD], and the Senator from Tennessee [Mr. STEWART] are absent on important public business.

Mr. AUSTIN. I announce that the Senator from Pennsylvania [Mr. DAVIS] is necessarily absent.

The VICE PRESIDENT. Eighty-seven Senators have answered to their names. A quorum is present.

PERSONNEL OF THE LIGHTHOUSE SERVICE—SERVICE DURING A NATIONAL EMERGENCY

The VICE PRESIDENT laid before the Senate a letter from the Assistant Secretary of Commerce, transmitting a draft of proposed legislation to clarify the status of personnel of the Lighthouse Service serving under the jurisdiction of the War or Navy Department during national emergency, which, with the accompanying papers, was referred to the Committee on Commerce.

RESOLUTIONS OF A MUNICIPAL COUNCIL, VIRGIN ISLANDS

The VICE PRESIDENT laid before the Senate a letter from the Acting Secretary of the Interior, transmitting two resolutions adopted by the municipal council of St. Thomas and St. John, V. I., which accompanying resolutions were referred to committees, as follows:

Resolution favoring the appropriation of funds for undertaking work in connection with the improvement of the harbor of St. Thomas; to the Committee on Appropriations.

Resolution favoring the exemption of persons traveling from continental United States to the Virgin Islands from the application of the stamp tax on steamship passenger tickets; to the Committee on Finance.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before before the Senate a letter in the nature of a memorial from S. H. Patterson, manager of radio station KSAN, San Francisco, Calif., remonstrating against the ratification of the International Copyright Convention (Executive E), relative to copyright provisions on music played over the air, which was referred to the Committee on Foreign Relations.

He also laid before the Senate a petition of sundry citizens of New York City, praying for the enactment of the so-called Wagner-Van Nuys-Capper antilynching bill, and also for a prompt investigation by the Federal Bureau of Investigation of recent lynchings, which was referred to the Committee on the Judiciary.

Mr. CAPPER presented the petition of members of Camp No. 2940, Royal Neighbors of America, of Dodge City, Kans., praying for the enactment of legislation to exempt fraternal societies from the tax provisions of the Social Security Act, which was referred to the Committee on Finance.

Mr. CLARK of Idaho presented the petition of the Cottonwood National Farm Loan Association, of Cottonwood, Idaho, praying that the United States keep clear of foreign entanglements and for the adoption of the so-called Ludlow war referendum amendment to the Constitution, and also remonstrating against the enactment of neutrality legislation delegating to the President the sole power and authority to decide which nation (or nations) he regards as the aggressor in a conflict, which was referred to the Committee on Foreign Relations.

Mr. ASHURST presented the petition of Handsel G. Bell and 18 other citizens of Phoenix, Ariz., praying for the enactment of House bills 3317 and 3318, relative to preventing alleged discriminations in the Army and providing an adequate national defense, which was referred to the Committee on Military Affairs.

Mr. WALSH presented a letter in the nature of a petition from the legislative committee of the Boston League of Women Shoppers, Boston, Mass., praying for the allotment of additional funds to further the investigation of the subcommittee of the Committee on Education and Labor investigating violations of civil liberties, etc., which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

He also presented a resolution of Springfield Chapter, Forty Plus of New England, of Springfield, Mass., favoring the enactment of the so-called Barbour and Voorhis bills (S. 890 and H. R. 118), relative to the employment of middle-aged and older workers in the Government service, which was referred to the Committee on Civil Service.

He also presented a resolution adopted by the City Democratic League, of Boston, Mass., favoring the adoption of a strict neutrality law and the keeping of the United States clear of foreign entanglements and all foreign wars, which was referred to the Committee on Foreign Relations.

He also presented a resolution of the Polish Citizens' Club, of North Wilbraham, Mass., favoring the enactment of neutrality legislation to insure peace, and also to stop the selling of all war materials to Germany, Italy, and Japan, and to stop buying the goods from those countries, which was referred to the Committee on Foreign Relations.

Mr. WALSH also presented the following resolution of the General Court of Massachusetts, which was referred to the Committee on Post Offices and Post Roads:

Resolutions memorializing the Postmaster General of the United States relative to a special postage stamp in honor of Capt. Jeremiah OBrien

Whereas Capt. Jeremiah OBrien, a native of the Commonwealth of Massachusetts, by his distinguished service won from the British in Machias Bay, on June 12, 1775, the first naval engagement of the War of the Revolution and received from the Provincial Congress commendation for his victory and became the first regularly commissioned naval officer and commander of the Revolutionary navy of Massachusetts; and

Whereas the Navy Department of the United States has recently approved the construction of a destroyer at the Boston Navy Yard to be named in honor of Captain OBrien: Therefore be it

Resolved, That the General Court of Massachusetts hereby respectfully requests the Postmaster General of the United States to provide for a special commemorative postage stamp to be issued in honor of the distinguished record and exploits of said Capt. Jeremiah OBrien; and be it further

Resolved, That copies of these resolutions be sent by the secretary of the Commonwealth to the Postmaster General of the United States and to each Senator and Representative in Congress from this Commonwealth.

SUGAR PRODUCTION IN THE UNITED STATES—RESOLUTION OF LEGISLATURE OF MICHIGAN

Mr. VANDENBERG. Mr. President, I present a memorial from the Legislature of the State of Michigan for the usual treatment. Ever since the Government began to regulate the domestic sugar business for the benefit of Cuba those who are dependent upon beet and cane sugar for their livelihood have been in trouble. We in Michigan are in particular trouble at the moment because of the latest regulation that has come down from Mr. Secretary Wallace. These regulations already have closed one large sugar-beet factory in Michigan and threaten to close others. There are other sections of the country similarly jeopardized. The trouble is a serious one. The Legislature of Michigan has memorialized Congress upon the subject, and I ask that the memorial be printed in the RECORD and appropriately referred.

The memorial presented by Mr. VANDENBERG was referred to the Committee on Agriculture and Forestry and ordered to be printed in the RECORD, as follows:

House Concurrent Resolution 27

Concurrent resolution respectfully memorializing the Congress of the United States, the President of the United States, and the Secretary of Agriculture to grant immediate remedy and adjustment, by correlating the estimate of consumption to actual needs, based upon the actual consumption of 1938 and the extraordinarily large carry-over inventory of sugar as of January 1, 1939, and that the Sugar Act be amended to provide a larger share of the American sugar market for the American farmer

Whereas the fact that in the continental United States we produce less than 30 percent of the sugar we consume, and sugar is practically the only nonsurplus agricultural product of the United States; and every acre of land utilized in the production of sugar, either from beets or cane, invariably takes such acreage out of the production of some surplus agricultural product such as cotton, rice, wheat, corn, beans, etc.; and

Whereas the production of sugar on our continental farms, especially the production of sugar from sugar beets, is conducive to the employment of labor on a large scale at profitable wages or rates, and the increased employment of labor on a larger scale in the production of sugar in the continental United States would be a great stimulus to prosperity and the general welfare of such sugar-producing areas, and the United States as a whole. The increased prosperity of the sugar-producing farmer would enable him to purchase much-needed agricultural machinery, tractors, trucks, etc., and would reflect directly in increased employment in industry producing such agricultural machinery; and

Whereas we believe it is the inherent fundamental economic right of the American farmer to produce nonsurplus agricultural products, such as sugar, up to the limit of his ability, without restriction, and such production should be protected in our United States market so that sugar will sell at a price comparable or equivalent to the index value of all foods. Foreign sugars should not be permitted to enter the United States market in excess of the amount which, when added to our production of sugar, the total will equal our consumption, so that both the interest of producers and consumers of sugar in the continental United States will be adequately protected, and the production of sugar in the continental United States fostered on a basis of common defense and general welfare, so that regardless of peace or war the citizens of the United States will be protected in their supply of such an essential food as sugar; and

Whereas we believe that the Sugar Act of 1937 was a step in the right direction, but with the removal of restrictions on United States production of sugar, coupled with a proper administration of the act, the sugar industry of the United States can go forward on a sane, sound basis for the best interests of the United States as a whole; and

Whereas excessive sugar consumption estimates out of all proportion to the actual consumption have been made since the adoption of the act, thereby permitting increased importation of foreign sugars, which has depressed prices in the sugar market to its all-time low. There is now available upward of 600,000 tons of cane sugar out of the 1938 quotas, which sugars are mainly the product of foreign countries, and a consumption estimate for 1939 by the Secretary of Agriculture, Hon. Henry A. Wallace, of 6,755,000 tons permits the importation of 3,000,000 tons of foreign sugar to further glut and complicate our American sugar market. It is estimated that on December 31, 1939, the end of the current year for sugar quotas, there will be upward of 800,000 tons of foreign sugars available, over and above our current needs, which sugars are all eligible to be marketed in the continental United States. This in view of the fact that in 1938 a kindly Providence, on a limited acreage, saw fit to give us one-quarter million tons of beet sugar and 150,000 tons of Louisiana and Florida cane sugar over and above

our Government marketing allotments for 1939, and this practically 400,000 tons of sugar produced by American farmers in 1938 constitutes a further surplus of sugar. Also, the recommendation of the United States Department of Agriculture is that certain districts, some of them in Michigan, shall not be permitted to market in 1939 a single pound of sugar produced in 1939. This situation, if not remedied in the near future, will destroy the sugar industry of the United States. The enforced carry-over to 1940 of practically 400,000 tons of continental beet and cane sugar produced in 1938 will have the immediate effect of eliminating the opportunity for 64,000,000 hours of labor directly utilized in the sugar industry, and possibly several times that number indirectly employed. Unless immediate adjustment is made on the recommended sugar-marketing allotments, at least one and possibly more Michigan sugar plants, it appears, will be unable to operate this year, thus throwing more American laborers out of work and depriving more American farmers from marketing beets and producing sugar, which is our only nonsurplus agricultural product, at a profit; Now, therefore, be it

Resolved by the house of representatives (the senate concurring), That the Legislature of Michigan hereby memorialize the Congress of the United States, the President of the United States, and the Secretary of Agriculture to grant immediate remedy and adjustment by correlating the estimate of consumption to actual needs, based upon the actual consumption of 1938 and the extraordinarily large carry-over inventory of sugar as of January 1, 1939, and that the Sugar Act be amended to provide a larger share of the American sugar market for the American farmer; and be it further

Resolved, That copies of this resolution be sent to the President of the United States, the President of the Senate, the Speaker of the House of Representatives, and to all Senators and Congressmen from Michigan.

REPORTS OF COMMITTEES

Mr. BAILEY, from the Committee on Commerce, to which was referred the bill (H. R. 5762) to provide for temporary postponement of the operations of certain provisions of the Federal Food, Drug, and Cosmetic Act, reported it with amendments and submitted a report (No. 356) thereon.

He also, from the same committee to which was referred the joint resolution (H. J. Res. 241) providing for the participation of the United States in the celebration of the one hundred and fiftieth anniversary of the establishment of the United States Lighthouse Service, reported it without amendment and submitted a report (No. 358) thereon.

Mr. WAGNER, from the Committee on Banking and Currency, to which was referred the bill (S. 1964) to amend section 5136 of the Revised Statutes, as amended, to authorize charitable contributions by national banking associations, reported it without amendment and submitted a report (No. 357) thereon.

Mr. GLASS, from the Committee on Banking and Currency, to which was referred the bill (S. 1701) to amend section 12B of the Federal Reserve Act, as amended, reported it with an amendment and submitted a report (No. 359) thereon.

Mr. BULOW, from the Committee on Civil Service, to which was referred the bill (S. 444) for the relief of John F. Thomas, reported it without amendment and submitted a report (No. 360) thereon.

Mr. WHEELER, from the Committee on Indian Affairs, to which was referred the bill (S. 1759) granting the consent of Congress to the States of Montana, North Dakota, and Wyoming to negotiate and enter into a compact or agreement for division of the waters of the Yellowstone River, reported it without amendment and submitted a report (No. 362) thereon.

Mr. SHEPPARD, from the Committee on Military Affairs, to which was referred the bill (S. 1156) to authorize the transfer to the jurisdiction of the Secretary of the Treasury of portions of the property within the military reservation known as the Morehead City Target Range, N. C., for the construction of improvements thereon, and for other purposes, reported it without amendment and submitted a report (No. 361) thereon.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. GREEN:

S. 2298. A bill to prohibit the Reconstruction Finance Corporation from making loans to business enterprises which propose to use such loans for the purpose of relocating industries; to the Committee on Banking and Currency.

By Mr. HAYDEN:

S. 2299. A bill for the relief of Hubert Richardson; to the Committee on Public Lands and Surveys.

By Mr. BILBO:

S. 2300. A bill to amend section 204 of the act entitled "An act to provide for the termination of Federal control of railroads and systems of transportation; to provide for the settlement of disputes between carriers and their employees; to further amend an act entitled 'An act to regulate commerce', approved February 4, 1887, as amended; and for other purposes", approved February 28, 1920; to the Committee on Interstate Commerce.

By Mr. ANDREWS:

S. 2301. A bill authorizing refund of certain excise taxes erroneously or illegally assessed under the Revenue Act of 1932; to the Committee on Claims.

S. 2302. A bill to allow credits against the title IX tax of the Social Security Act for contributions to unemployment funds required by State law, irrespective of time of payment; to the Committee on Finance.

By Mr. ASHURST:

S. 2303 (by request). A bill authorizing the continuance of the Prison Industries Reorganization Administration, established by Executive Order No. 7194 of September 26, 1935, to June 30, 1941; to the Committee on the Judiciary.

By Mr. REYNOLDS:

S. 2304. A bill to provide for hospitalization of certain persons who have served in the Regular Army, Navy, or Marine Corps; to the Committee on Military Affairs.

By Mr. SHIPSTEAD:

S. 2305. A bill relating to hours of work of licensed officers and seamen on tugs operating in certain inland waters of the United States; to the Committee on Commerce.

By Mr. BURKE:

S. 2306. A bill relating to the construction of a bridge across the Missouri River between the towns of Decatur, Nebr., and Onawa, Iowa; and

S. 2307. A bill to amend section 3 of the act entitled "An act to authorize the construction of certain bridges and to extend the times for commencing and completing the construction of other bridges over the navigable waters of the United States," approved June 10, 1930, as amended and extended, and for other purposes; to the Committee on Commerce.

S. 2308. A bill granting a pension to Gail Gordon; to the Committee on Pensions.

By Mr. BULOW (for himself and Mr. GURNEY):

S. 2309. A bill to authorize the coinage of 50-cent pieces in commemoration of the fiftieth anniversary of the admission of the State of South Dakota into the Union; to the Committee on Banking and Currency.

By Mr. NEELY:

S. 2310. A bill to provide for standard daylight-saving time; to the Committee on Interstate Commerce.

S. 2311. A bill conferring jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claims of Willis Lyle Burdette, Eunice Burdette Beller, Alta Lucille Burdette Coburn, Margaret Jane Burdette, William Burdette, and Betty Burdette; to the Committee on Claims.

By Mr. CLARK of Idaho:

S. 2312. A bill for the relief of Howard E. Johnson; to the Committee on Claims.

S. 2313. A bill conferring jurisdiction upon the Court of Claims to hear, examine, adjudicate, and render final judgment on any and all claims of whatsoever nature which the Shoshone Nation or any division thereof (except the Eastern Division whose claims have been adjudicated by, and the Northwestern Division whose claims are now pending in, the Court of Claims), or any tribe or band of Indians living on the Fort Hall Indian Reservation, may have against the United States, and for other purposes; to the Committee on Indian Affairs.

By Mr. BAILEY:

S. 2314. A bill to establish the position of Under Secretary in the Department of Commerce; to the Committee on Commerce.

By Mr. SHEPPARD:

S. 2315. A bill to adjust the pay and allowances of warrant officers of the Army, including those of the Army Mine Planter Service; to the Committee on Military Affairs.

By Mr. GURNEY:

S. 2316. A bill for the relief of Emil Navratil; to the Committee on Military Affairs.

S. 2317. A bill to amend Public Law No. 383, Seventy-third Congress (48 Stat. L. 984), relating to Indians, by exempting from the provisions of such act the Cheyenne River Sioux Tribe of Indians of the State of South Dakota; and

S. 2318. A bill to amend Public Law No. 383, Seventy-third Congress (48 Stat. L. 984), relating to Indians, by exempting from the provisions of such act the Yankton Sioux Tribe of Indians, of the Rosebud Agency, of the State of South Dakota; to the Committee on Indian Affairs.

ESTABLISHMENT OF PUBLIC WORKS AGENCY—AMENDMENT

Mr. BARBOUR submitted an amendment intended to be proposed by him to the amendment (heretofore submitted) intended to be proposed by Mr. VANDENBERG (for himself, Mr. BARBOUR, and Mr. TAFT) to the bill (S. 2202) to establish a Public Works Agency, which was ordered to lie on the table and to be printed.

THE RAILROAD PROBLEM—ADDRESS BY SENATOR WHEELER

[Mr. TRUMAN asked and obtained leave to have printed in the RECORD a radio address delivered by Senator WHEELER on May 1, 1939, on the railroad situation and legislation affecting transportation in the United States, which appears in the Appendix.]

A GENEROUS PEACE—ARTICLE BY DR. JOSEPH F. THORNING

[Mr. TYDINGS asked and obtained leave to have printed in the RECORD an article entitled "A Generous Peace," by Rev. Dr. Joseph F. Thorning, published in the Catholic Review, of Baltimore, Md., of Friday, April 28, 1939, which appears in the Appendix.]

PARTICIPATION IN WAR BY THE UNITED STATES

[Mr. HOLT asked and obtained leave to have printed in the RECORD an article from the Charleston Daily Mail, of Charleston, W. Va., regarding the participation of America in war, which appears in the Appendix.]

EXCESSIVE SPENDING AND DESTRUCTIVE TAXATION

[Mr. HOLT asked and obtained leave to have printed in the RECORD an editorial from the Pittsburgh Post-Gazette entitled "Mr. Benedum Knows the Remedy," which appears in the Appendix.]

THE OIL DEAL BETWEEN STANDARD-VACUUM AND PHILIPPINE GOVERNMENT

[Mr. FRAZIER asked and obtained leave to have printed in the RECORD an article from the Philippine-American Advocate entitled "Sevilla Kills Philippine Oil Deal Between Standard-Vacuum and Quezon Government," which appears in the Appendix.]

STUDIES OF PROPOSED LEGISLATION—WORK OF THE SESSION—FINAL ADJOURNMENT

Mr. BANKHEAD. Mr. President, I ask unanimous consent to submit at this time and have read from the desk a concurrent resolution, and to make a short statement regarding it.

The VICE PRESIDENT. Is there objection? The Chair hears none. The clerk will read the concurrent resolution.

The Chief Clerk read the concurrent resolution (S. Con. Res. 15), as follows:

Resolved by the Senate (the House of Representatives concurring), That the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives, or any duly authorized subcommittee or subcommittees thereof, shall, after the adjournment of the present session of the Congress, make a study and investigation with a view to determining what changes, if any, should be made in the general revenue laws and in the Social Security Act, and shall, at the beginning of the next session of the Congress, make reports by bill or otherwise of their recommendations.

SEC. 2. The Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives, or any duly authorized subcommittee or subcommittees thereof, shall, after the adjournment of the present session of the Congress, make a study and investigation with a view to determining what neutrality legislation, if any, should be enacted, and shall, at the beginning of the next session of the Congress, make a report by bill or otherwise of their recommendations.

SEC. 3. The Committee on Interstate Commerce of the Senate and the Committee on Interstate and Foreign Commerce of the House of Representatives, or any duly authorized subcommittee or subcommittees thereof, shall, after the adjournment of the present session of the Congress, make a study and investigation with a view to determining what changes, if any, should be made in the Interstate Commerce Act, and shall, at the beginning of the next session of the Congress, make a report by bill or otherwise of their recommendations.

SEC. 4. The two Houses of Congress shall adjourn sine die not later than Thursday, the 15th day of June 1939.

Mr. BANKHEAD. Mr. President, I have no thought of undertaking to usurp the prerogatives of the leader of the Senate or of the House of Representatives. I recognize the long-established practice, and fully approve of it, of the majority leader sponsoring the times when the Senate is to be in session from day to day, and indicating by his leadership what days the Senate shall be in recess. So I desire to have it understood that by offering this resolution I am not seeking in any way to change that long-accepted practice, of which, I repeat, I fully approve. Nor am I seeking, by indirection or implication or in any way, to criticize the leadership by submitting this resolution.

The Senate, as we all know, has kept abreast of its work. There has been up to this time no default on the part of the majority leader in the matter of transacting the necessary business in order to permit Congress to adjourn within a reasonable time. Conditions, however, over which he has had no control and, in fact, the Senate has had no control now make it apparent that instead of concluding the business of Congress by April, as was indicated when we first met, or by May, as was later suggested by the White House and by the leadership of both Houses, in all likelihood the business of this session will be drawn out certainly into July, and probably into the month of August.

Mr. President, it occurs to me that that is not a necessary program, nor is it a fortunate one either for the people of the country or for the wisdom of prospective legislation. We have adjourned from day to day because we had nothing on the calendar. We meet once or twice or sometimes three times a week, clean up the calendar in a short time, dispose of the business pending here, and of necessity recess. Why continue that program this year from now into the late hot summer? Why did we not arrange to adjourn by the middle of May, as the leader and a good many others of us some weeks ago thought we should be able to do?

Early in this session the President said he was through sending messages to Congress and that he would send no more messages which would delay final adjournment. I think he has kept that promise. Still we see 3 months of prospective delay into the hot season before we may expect to hear presented to the two Houses a motion for sine die adjournment. Why?

As one reason, it is now said that a social-security bill must be passed before we adjourn. No social-security bill has been presented to either House, and yet 4 months of the session have gone by. There is at this time no assurance when the House Committee on Ways and Means, in which such a bill must first be considered, will be in position to bring it to the House for consideration. I am not criticizing that committee. They have been actively and diligently at work, according to my information, and have held hearings lasting nearly 2 months; but that program is a comprehensive one. It is one which affects the feeling of security of probably millions of persons in this country. It is a program which cannot be perfected except by trial and error; and no one need think that by staying here until July this session of Congress can perfect a broad social-security program for the future. Time is required. Calm and deliberate consideration by Congress should be given to so great a measure. Why insist that Congress must stay here now for the passage of that bill? Why not let the committee of the House and the committee of

the Senate at their pleasure, during the recess of Congress, proceed to deliberate over that complex and comprehensive bill, and be ready, as directed by this resolution, to report when Congress meets next January?

We hear that we must pass at this session a general tax bill. I do not know who started that report. It has been understood for 3 or 4 months that we should have no general tax bill at this session of Congress. That statement has been frequently carried by the newspapers, and I have heard no denial of it until very recently. Now we are advised that we must wait here until the House finishes considering the social-security bill, because, as we all know, the same committee of the House—the Committee on Ways and Means—has jurisdiction of both the tax measure and the social-security measure. When the social-security bill goes to the House, the members of the Ways and Means Committee must give their time and attention to that bill during its consideration on the floor of the House; and until it has been finally acted upon, they cannot even begin consideration of a general tax program.

I have not heard—other Senators may have, but I have not—of any specific changes in the general taxing system of the Government that it is necessary at this time to put upon the statute books.. I have heard no specific tax advocated. I have heard no definite measure proposed to shift a part of the tax burden of the country from one group of taxpayers to another group of taxpayers. Apparently, there is no great emergency about the tax matter. If there had been, it would have been pressed before this time. I see no reason for suddenly bringing forward a general tax program; and we all know the time that is required for the consideration of such a measure in the Senate of the United States. Many weeks, according to our former experience, have been required for the consideration of bills reported by the Committee on Finance and amendments offered by many Senators upon the floor of the Senate, which in this instance would carry into the heat of July, into the heat of August, and possibly into the sultry month of September the deliberations of Congress upon the subject of a new tax program.

Mr. President, I submit that the committees ought to do that work without requiring the Members of Congress to stay here in Washington and wait until they are ready to report, and then stay here for minute and detailed and prolonged discussion of all the subjects involved in all the ramifications of a new general taxing system.

Then there is the question of neutrality. We are told that we must stay here until we pass a new neutrality bill. For weeks and weeks the Senate Committee on Foreign Relations has been constantly in session, according to the newspapers and current reports, considering a new neutrality bill. I am not advised whether or not the House has touched the subject; but we know that the Senate committee, after diligent investigation and honest and conscientious work, has been unable to agree upon a new neutrality bill and, not through neglect but, as I understand, through inability to reach an agreement upon a program, has permitted a new neutrality bill to remain in the committee until the old law has expired.

The able and distinguished senior Senator from Idaho [Mr. BORAH] has stated that it probably will take as long to pass a new neutrality bill, if it contains certain provisions, as it took for the Senate to consider the Covenant of the League of Nations. What does that mean? We all know that there is in the Senate a strong group of Members who have definite and fixed views upon the matter of foreign relations. We know that that group has in its membership some of the ablest men and some of the best speakers in the Senate, some who are capable of speaking day after day. When such men as the Senator from Texas [Mr. CONNALLY] and I and others stood here trying to educate the people of the country on an antilynching bill, some of the members of the group to which I have just referred, who are about to carry on what they refer to as an educational program, denounced us as filibusterers. They now propose, however, according to an open notice, not to indulge in a filibuster—they do not like that name—but they are to engage in exactly the same procedure, delaying from day to day, trying to educate the Members of the Senate, trying to arouse and stir the people of the Nation from day to day, from month to month, through the hot summer season, resisting the passage of what appears to be the sentiment of a majority of the Committee on Foreign Relations on the subject of a new neutrality measure.

It is suggested that we ought to remain here and permit all of the Executive orders on the subject of reorganization to go into operation under the 60-day requirement in the law. If that course is followed, and we remain here, it is automatically settled now that we will be here until July at least, and every order that comes up from the White House will automatically prolong the session of Congress and extend it for a period of 60 days from the time the Executive order comes to Congress; and we hear that others are in preparation and on their way. That means that we would have to stay almost to the middle of July if we did not have anything else to keep us.

Mr. President, I note that a program is proposed in the other House to vote down, on an adverse report, a bill to disapprove the last Executive order submitting a reorganization plan. What would that accomplish in practical results? That would be merely an expression of the sense of a majority of the membership of the House. As I understand the so-called Reorganization Act, it would not shorten the time in which the Executive order will go into effect.

In other words, the law provides the order shall become effective 60 days from the day it is received, if it lies here without affirmative action. I do not know why affirmative action is not sought. I am not one of the leaders, as Senators well know, but with the practically unanimous expression of approval of the program, with no partisan spirit injected into it, I am unable to see the evil consequences which might follow bringing in a bill and asking Congress to vote an affirmative approval of the Executive order. I believe firmly that it would be approved, and I am of the opinion that every Member of the Senate believes that would be done. Then why remain here until July or August merely to permit the time period to expire, when, without any reasonable doubt, both Houses would promptly vote to close the matter if the question were brought to a vote of the two Houses?

Mr. President, I have presented the concurrent resolution, not with any illusion that it is going to be presently adopted. I have offered it for two purposes. One was to submit the suggested program to the consideration of those who have the control of the procedure of Congress. In a friendly spirit I invoke their consideration of it. It would be so much better to let the committees which have already done a great deal, proceed and conclude their work and have their bills ready for Congress when it meets in January. My only other reason was a desire to furnish an instrumentality for entering my humble personal protest against Congress being kept in Washington until probably August, and possibly September, this year, with only a few more bills upon the so-called must list.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. BANKHEAD. I yield.

Mr. BURKE. I was detained at the opening of the Senator's remarks and do not know whether he mentioned, in connection with the proposed legislation now pending, possible amendments to the National Labor Relations Act.

Mr. BANKHEAD. I did not mention that subject. In the resolution I did mention the Interstate Commerce Act, on which protracted hearings have been held, and the consideration of which, of course, will require a great deal more time, perhaps, in the committee, and certainly on the floor.

I did not mention the Wagner Act, because I observed in the newspapers a statement by the able, distinguished, and courageous Senator from Nebraska, whose courage I greatly admire, and with whose conclusions I am at times in accord, to the effect that it was entirely unlikely, not using his language, but my construction of what he said, that the committee considering the National Labor Relations Act at this time would report a bill amending the act. So, recognizing the sound judgment of the Senator, I did not include the

Labor Relations Act. I accepted the statement as one of fact.

Mr. BURKE. If the Senator will yield further, I should like to say on that point that, as the Senator knows, hearings have been under way for some time before the Senate Committee on Education and Labor on the labor relations law. This is an act of such great importance that no thought of amendment should be considered until the evidence has been presented fully and thoroughly digested. The sponsor of the act, the able Senator from New York [Mr. WAGNER], has said he heartily approves of the hearings being conducted, he is willing to examine all the evidence that is presented, and that if a clear showing is made of the necessity of amendment, he will give the matter his serious consideration.

My reason for making the statement which appeared in the newspapers and to which the Senator has referred was that it seemed to me important that the committee should proceed with its hearings, that all responsible parties or representatives of all responsible parties and organizations who feel they know something about how the National Labor Relations Act is working, either for good or ill, should come before the committee and present their views, and that then the committee should have an abundance of time to sift and weigh all the testimony. I thought such procedure would be very much better than to rush headlong now into decisive action, either rejecting all amendments or adopting any certain amendment.

I find myself in very hearty accord with what the Senator from Alabama has said, that these are all matters which require committee action, long and careful thought by the committees, preceded by adequate hearings, such as those now being held by many of the committees; and that, after all, it is not so important that Congress be kept in session throughout the summer and into the fall in order that action may be taken on these subjects.

Mr. BANKHEAD. I appreciate the very fine statement made by the Senator from Nebraska. His conclusion is the one I have reached, not only regarding the bill to which he refers, and the necessity of having time for due and orderly consideration by the committee, but the same reason has led me to the same conclusion regarding the other controversial bills to which I have referred, and as to which I see no dire emergency compelling special and hurried action, or requiring very long and protracted sessions of Congress, which we all know do not, in the heat of summer, lead to the best consideration or the wisest judgment in matters of legislation.

Mr. SMITH. Mr. President, about what times does the Senator think would be required for action on the measures to which he has referred?

Mr. BANKHEAD. My resolution suggested adjournment the 15th of June.

Mr. SMITH. I vote "aye."

Mr. BANKHEAD. That would give ample time to pass all the supply bills and any other needed legislation, such as the Congress usually passes in an orderly way.

Mr. CONNALLY. Mr. President, I have listened with a great deal of interest to the comments of the Senator from Alabama and regret very much that I have to disagree with his conclusions. I am sure that all Senators would much prefer to have Congress adjourn at the earliest practicable moment, so that they might return to their homes. We are more comfortable at home; there is less annoyance there from the importunities of those who seek action at the hands of Congress, and we are more likely to obtain rest. Some Senators who are able have opportunity to escape the heat in July and August. But the heat in July and August will not be any greater on Senators than it is on other citizens. The temperature is not a respecter of persons, except of those who go to the seashore or the mountains; and some of us are not able to walk that far. [Laughter.]

It is true that the measures mentioned by the Senator are of the highest importance, and therefore, being of the highest importance, they ought to be right here in this Chamber, and we ought to be right here in this Chamber, giving attention to those measures until all the problems involved are solved. People talk about solving a problem, but no question was ever solved in the history of the earth. No law was ever enacted which could not be repealed. No constitution was ever written which could not be modified or amended or overturned by a revolution. There is a constant struggle to improve that which we have done before, in the light of experience and changing conditions.

But, Mr. President, there is to my mind a far more important and imperative reason why the Congress of the United States should remain in Washington for the next few months. There is no war in Europe now; I do not believe there is going to be any war in Europe immediately; but there may be a war in Europe. The United States has no business in such a war. The people of the United States do not want to be in any war. Nobody but the Congress of the United States can determine whether we shall be in such a war or not, because it is our function and our responsibility and our duty to determine that question. The Committee on Foreign Relations, it is true, for a considerable period has been having hearings on the question of neutrality, and we hope to conclude those hearings at the end of the present week. Complaint is made that those hearings have taken a great deal of time. Is that a proper complaint when we are investigating a matter which touches vitally the interest of this Nation and every citizen under our flag?

Mr. BANKHEAD. Mr. President, the Senator must realize that I did not make any complaint of that nature.

Mr. CONNALLY. I do not contend that the Senator did.

Mr. BANKHEAD. I think the committee is doing fine work.

Mr. CONNALLY. I thank the Senator.

Mr. President, we of the Committee on Foreign Relations are undertaking to approach the question from every possible angle in order that, insofar as feeble human beings can do so—though they are supposed to wear the togas of Senators—we may so deal with the question as best to preserve the interests of the people of the United States and yet not cause us to intrude our hands into a struggle from which we can only withdraw them in blood. So, Mr. President, I think Congress should stay right here in Washington until all the visible dangers of involvement of the United States in a foreign war may be removed, insofar as they can be removed.

Suppose we do have to remain here while it is hot. This is the place of our functions. Congress is the agency into whose keeping the people have entrusted their welfare. We must perform those duties which come within our functions. I would much prefer to go home, and would much prefer to ride around over the beautiful landscape of my native State. I believe the Senator from Arizona [Mr. ASHURST] whispered "and Arizona." I would also rather ride out over the distant State of Arizona. We would all rather be at home in comfort, surrounded by our friends and constituents.

But, Mr. President, that is not the decisive consideration. We are struggling here as best we can with these mighty issues, and it is our duty and our responsibility to remain here so long as it may appear to be necessary or practicable for us to meet and struggle with and survey, so far as we may, whatever falls within our jurisdiction. The function of the Congress—of the Senate and the House of Representatives—is to enact legislation. No power on earth under the Constitution can determine great, vital questions of peace or war except the Congress of the United States. I, for one, know that the people of the United States do not want war. I know that while they expect us to maintain our rights and our dignity and our prestige as a Nation, yet they want the United States so to shape its foreign policies and so to conduct its foreign affairs that we may not become embroiled in any war that shall take place across the ocean on another continent.

Mr. President, the questions before us now involve more than our own particular continental defense. We have al-

ready provided and will provide in the future for an adequate increase of the naval forces, and the military forces, and the air forces to protect continental United States, but more and more before the public attention is being pressed the further question of the Monroe Doctrine, and all the possibilities involved in it. All in all, it is the duty of the Congress to see that we do not become involved in a foreign war.

Mr. President, my belief is that the Congress of the United States should remain here in Washington, and in session, so long as there is any danger whatever of involvement in such a struggle as that which seems to threaten.

Mr. KING. Mr. President, first I desire to compliment the leader upon the Democratic side of the Chamber, in view of the statements made by the Senator from Alabama [Mr. BANKHEAD], because of his courtesy and fine executive ability. I think he has handled the affairs of the Senate, so far as they are entrusted to his hands, with marked ability and with a due regard to the best interests of the country.

At the same time I desire to pay my respects to the leader on the other side, the leader of the Republican Party. He has cooperated in a fair and honorable way to discharge the duties of his position and to facilitate the transaction of such business as has come before the Senate.

The Senator from Alabama complains because we are not in session more frequently. I think the Senator forgets that we have several score committees—subcommittees and general committees—in session every day. If I had my way, I should amend the rules of the Senate so that we would devote 3 days of every week to committee work, and not be required to meet in the Senate Chamber on those 3 days, and then devote 2 days or 3 days, if necessary, to work in the Chamber of the Senate. I think our work would then be more effective, and I think that our accomplishments would be more satisfactory. We should not neglect the duties devolving upon the various committees. This morning there have been 8 or 9 or 10 important committees at work. If we had more time for committee work, and if we were not compelled to meet in the Senate Chamber as often as we have met, perhaps we would have been more successful in bringing to the floor of the Senate important measures that have been referred to the respective committees.

Mr. President, I am not quite sure whether the Senator from Alabama desires the adoption of the resolution which he has submitted. I suggest that if he does not desire it to be adopted, but desires it to be referred to a committee, that he divide his resolution because one part of the resolution should go to the Committee on Finance and the other part to the Committee on Foreign Relations.

I wish to say a word or two with respect to the Committee on Finance, and the revenue question to which the Senator from Alabama has adverted. I am sure that the Committee on Ways and Means of the other House—if I may be permitted to refer to the body at the other end of the Capitol—have with great ability and great earnestness been addressing themselves to the question of taxation, and I am sure that the members of the Senate Committee on Finance, in subcommittees or individually, have likewise given a great deal of attention to our revenue situation.

Mr. President, it is obvious that we are going to commit what I believe to be a colossal blunder. We are going to appropriate perhaps ten or twelve billion dollars before the Congress adjourns, and to make commitments of five billion or six billion dollars more, knowing that under the proposed revenue measures and under the present laws we will collect only about $5,000,000,000 or possibly $5,200,000,000 or $5,300,000,000. I think it would be prudent and wise before final adjournment for the Congress to revise the revenue laws, increase taxes, burdensome as they now are—and still more burdensome they will be in the future—in order that the deficit may not be four or five billion dollars, as it will be because of the prodigality of Congress and its failure to give to the country such revenues as are necessary approximately to meet appropriations.

So far as I am concerned, I am willing to remain here during the summer, and, while I do not wish to criticize the other branch of the Congress, I think it would be wise if there should be reported at an early date a sound revenue bill, one that would raise at least $6,000,000,000 or $7,000,000,000, and that the Appropriations Committees in the discharge of their duties should reduce appropriations far below Budget estimates, and bring them within speaking distance at least of the revenues which will be derived by the tax bill which I hope will be passed before final adjournment.

Mr. JOHNSON of California. Mr. President, I desire to take my stand beside the Senator from Texas [Mr. CONNALLY] in his remarks upon war. Some days ago I listened to a remarkable speech in this body, as eloquent as any I have heard since I have been a Member of the Senate, from the Senator who now occupies the chair [Mr. GEORGE], who expressed himself upon war.

I think we ought to remain here, sir, because of the imminence of armed conflict. We ought to remain here because such conflict would mean so much to the American people. Recently I listened to a witness before the Foreign Relations Committee, who said something that I have often remarked in the past. He said that the first casualty of war is truth. That casualty has occurred thus far; and, sir, we cannot remedy that particular matter.

The consequences of war to this country are such that I tremble when I think of them. The consequences of war, sir, are far greater than all the other consequences which have been so eloquently portrayed by the Senator from Alabama [Mr. BANKHEAD]. The consequences of war are that we shall have no country for which to legislate if once we embark on such a mad adventure. The consequences of war are that this Government of ours, which is the pride and glory of every Member of this body, we will see gone, gone, gone; and there will be no remedy by which we can resurrect it within our lifetime.

I regard the two dictators with every feeling of horror that can actuate anybody, or that anybody can feel. If we shall go to war in an endeavor to destroy those two dictators, we shall have a dictator in the United States, and he will be with us forever. I am not now speaking in personal vein, or referring to any individual; but the necessary consequences of a war at this time will be that we shall have just exactly that which we reprobate among the countries of Europe if we go into any armed conflict and the result shall be even one way or even another.

So war is the great thing overshadowing every other question before the American people.

I recognize the importance of other questions to which reference has been made; I recognize that we ought to legislate concerning them; but, after all, overshadowing every one of them and rendering every single one of them of little importance, is the question of war—war that will mean what we know it will mean; and, sir, it is to the Congress of the United States, it is to the United States Senate, that the people of the United States look to keep us out of war. It is the Congress of the United States, with all its faults, with all its shortcomings; it is to the Senate of the United States, with all its sins of commission and omission, that will keep us out of war in the dark days that are to come; and no other person, no other individual, no matter who he may be. We shall have a replica of the situation of 20 years ago, when it was the Senate of the United States which rescued the country from the position in which it found itself. It was the Senate of the United States which, to its lasting credit, refused ratification of the Treaty of Versailles.

Mr. President, we all want to go away; we all would like to go home, none more than I; but we cannot go home. We must be on guard, sir, literally on guard, every minute of the day and every minute of the night in the days to come, to see that we shall not participate in a war which is none of our concern, and that we shall be neither eased into that war nor driven into it. We can do our duty in that regard only by being right here. Let us stay and do our duty. Let us continue as we have been doing in the past, to represent

those who sent us here, in their desire to remain peaceful, and not warlike. Let us go on and prevent any provocative utterances; prevent, if we can, various acts which may be construed as warlike on the part of this Government. Let us be ourselves and, for the people of the United States, let us keep out of war. [Manifestations of applause in the galleries.]

Mr. BARKLEY. Mr. President, I had not intended to discuss the resolution submitted by the Senator from Alabama [Mr. BANKHEAD]; in fact, I did not know until a moment before it was presented that it was to be offered or was under consideration by the Senator from Alabama. I shall refer to it only briefly.

At the outset, I appreciate the very generous remarks made by the Senator from Alabama [Mr. BANKHEAD] and the Senator from Utah [Mr. KING] concerning myself. I share the references in their remarks to the Senator from Oregon [Mr. MCNARY] the minority leader. While I am on that subject, I wish to say that it has been a real pleasure for me to have, as I have had, the sincere cooperation of the Senator from Oregon, the minority leader, in helping to work out the legislative program and to facilitate the business of the Senate.

Mr. President, it is true that the Senate has been in recess on a number of days during this session of Congress; but it has not been in recess because of any lack of industry or because of any desire to neglect public business. We have kept the calendars current. We have recessed only over the week ends and from day to day when the Senate had no important business to occupy its attention.

Of course, we all would like to get away at the earliest possible date consistent with the performance of our duties. However, we were not elected by the people simply to adjourn. As I have always understood, we were elected by the people to try to shoulder our part of the responsibility of operating the Government of the United States.

Early in the session I indicated that it might be possible to adjourn by the 15th of June, and perform all the duties which might seem incumbent upon the Congress, in which I include both branches, of course. It seemed that we might adjourn on that date, or approximately that date, without being guilty in the remotest degree of shirking any of our responsibilities or failing to perform our duties so long as those duties required our presence here. Until very recently I still entertained the hope that we might finish by the 15th of June, or thereabouts. However, I am now confident that we cannot do so without running away from the performance of our public duty.

In his resolution the Senator from Alabama mentions three committees and three particular subjects which he desires to have investigated during the recess by the committees having charge of proposed legislation. What are those subjects, Mr. President? One of them is railroad legislation. The Committee on Interstate Commerce, whose chairman, the Senator from Montana [Mr. WHEELER], is present and will corroborate what I am about to say, for the last 2 or 3 years has been devoting itself assiduously and single-mindedly toward the gathering of information which might help in the solution of the acute railroad problem which confronts the railroads and the country with respect to our transportation systems. Bills to that end have been introduced in this session. The President appointed a joint committee made up of three representatives of railway labor and three representatives of management to work out a suggested measure. Bills have been introduced and hearings have been completed, and a subcommittee of the Committee on Interstate Commerce is now working on the problem of revising the bills so as to bring them to the floor of the Senate within the next week or 10 days. It is my earnest hope that that task may be accomplished. A similar House committee is considering the problem.

Mr. WHEELER. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. GEORGE in the chair). Does the Senator from Kentucky yield to the Senator from Montana?

Mr. BARKLEY. I yield.

Mr. WHEELER. Mr. President, if I may interrupt the Senator, I will say that we have held hearings for approximately 3 weeks on one of the pieces of legislation referred to. The subcommittee then took up all the objections made by everybody and worked for about 2 weeks on that measure. By the latter part of this week or the first of next week we expect to be able to report a bill which I am sure will be as nearly satisfactory as it is possible to make any such legislation.

We are holding hearings upon a bill for railroad reorganizations, to correct some of the abuses in that field; and we shall probably be able to report that bill to the Senate by the latter part of next week.

Mr. BARKLEY. I appreciate that information, and I think I will venture to suggest also that, in view of the hearings that have been held and the consideration that has been given to that subject not only by the Committee on Interstate Commerce but by the executive branch of the Government and by the parties in interest, the railroads themselves, and all those connected with them, including management and labor relationships, there is now available practically all the information that could be obtained if the committee were to hold hearings the remainder of the summer on the subject of railway legislation.

So there has been no negligence, no shirking of any duty on the part of the committee, in trying to work out a very intricate and a very difficult problem and in trying to find out what to do about the railroad situation in the United States. I dare say that, with all the care that has been given the subject, and all the care that has been given to the drafting of legislation, when we shall have brought it on to the floor and passed it, we can still say that nobody has the last word in the solution of the railway problem.

Mr. NORRIS. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from Nebraska?

Mr. BARKLEY. I yield to the Senator from Nebraska.

Mr. NORRIS. The concurrent resolution presented by the Senator from Alabama [Mr. BANKHEAD], which has brought on this debate, is not officially before the Senate, is it?

Mr. BARKLEY. No; it is not.

Mr. NORRIS. In other words, I suppose that resolution will be referred to a committee and come up in due time. So we are talking about something that is not at present before the Senate.

Mr. BARKLEY. That is true.

Mr. NORRIS. I am not complaining about that, for that is characteristic of the Senate.

Mr. BARKLEY. I am referring to it merely because a number of Senators have discussed it.

Mr. NORRIS. But one good way to stay here all summer is to spend the time between now and fall discussing whether or not we will adjourn. [Laughter.]

Mr. BARKLEY. Yes; I agree with the Senator, and I myself am not going to discuss it until fall.

So much for railroad legislation. I do not believe that we would be any nearer a solution of the problem next January when Congress comes back and starts over again, as it always does at the beginning of a Congress, on a cold collar, back down the hill, and then start fresh to reach the point where we are now. So I do not think that anything can be accomplished by deferring for further investigation the railroad problem that is now before the Committee on Interstate Commerce.

Now, as to taxes. Nobody has the last word in the solution of the tax problem, either, and I suppose that is fortunate, because if the Senate or the other House of Congress should assume that we have the last word in the solution of any problem it would not leave anything else for future Congresses or future generations to do.

No one claims that our present tax system is perfect; no one can deny that it has imperfections. It is like all tax systems that have been added to and pieced out like a quilt, with all hands around the quilt putting in a particular piece here and a particular piece there to give it color and attrac-

tion and beauty. Of course, there is no attraction or beauty about a tax, but there is a good deal of color.

The question has arisen whether we shall have a general revision of taxes at this session of Congress or whether we shall not.

Mr. VANDENBERG. Mr. President——

Mr. BARKLEY. I yield to the Senator from Michigan. I think, from the expression on his face, he has a bright idea in his mind, and I do not want to lose it.

Mr. VANDENBERG. The Senator from Kentucky, in discussing the question of taxes, drew an analogy between the tax system and a quilt. I was going to inquire if that is the kind of a quilt that is called a "crazy quilt"?

Mr. BARKLEY. I presume that a quilt of that sort might be and sometimes is called a "crazy quilt," but it sometimes affords great comfort to those who have one.

The question of whether we shall embark upon a general revision of taxes has been under discussion here since we came to Washington in January. I agree that if we go into a general revision of taxes we shall be here all summer, because it is impossible in a short time to revise a complicated tax system, whether we simply undertake to remove money from one pocket and put it into another or whether we undertake to abolish taxes that raise the amount of revenue estimated by the Treasury and replace them with taxes on something else which is untaxed or which is not taxed as much as it would be under a new law.

Mr. President, I have felt—and I have expressed that feeling—that it will do business in this country no particular good to be kept in a long state of uncertainty about what taxes are to be.

We have heard a great deal about removing the taxes that are deterrents to business such as the capital-stock tax and what is left of the shadow of the undistributed-profits tax on corporations and one other tax that is supposed to be a deterrent. If we are to assume that we have got to raise the same amount of revenue we are now raising no matter how we may shift the tax, then we must consider the question whether we desire to remove three particular types of taxes that are paid by the business of our country in one form and shift it over into another form under which the amount to be paid will be the same in the long run and in the aggregate, but might be taken out of a different pocket in order to be transferred to the Treasury. Congress has a right to consider that question.

The House of Representatives, as I have understood from the leadership of that body and others dealing with taxation, have planned to send to the Senate probably three simple resolutions, one extending the so-called nuisance taxes which expire this year; another one extending the shadow of the undistributed-profits tax on corporations, which raises about $56,000,000 a year; and another one postponing the step-up of the social-security tax. When those various resolutions arrive in the Senate and are referred to the Committee on Finance, of course, any Senator in the committee or on the floor can propose a general revision of taxes if he so desires; there is no rule that would prevent him doing so; but if we are to be content with extending the expiring taxes and postponing the step-up of the taxes under the Social Security Act, we can perform that duty, in my judgment, speedily and without serious complication and without much delay.

I do not say, Mr. President, that we can get all these bills through by the 15th of June; I doubt it very seriously; we may not be able to get them all through by the 1st of July; but I do not think that either the House or the Senate, separately or collectively, as forming the Congress, have been guilty of any negligence in giving these problems their careful and studious consideration.

So far as neutrality legislation is concerned, it presents a very difficult problem. No two men entertain precisely the same opinion about what we should do. One provision of our neutrality law expired on yesterday. The Committee on Foreign Relations will complete its hearings this week on proposed neutrality legislation, and such legislation, if it is to be comprehensive and is to protect our interests, ought to be enacted, if possible, before there is a war and not after a war is begun anywhere in the world. There are those who advocate the outright repeal of the neutrality law; there are those who believe in the reenactment of the cash-and-carry provision; there are those who advocate the enactment of legislation that will make it possible for, or perhaps the duty of, our Government to designate aggressors, and so on. Opinions of all varieties have been expressed before the Committee on Foreign Relations. I do not know what sort of legislation will be formulated by the committee. I do not know, and I dare say no one else knows at this juncture, what sort of bill the minds of that committee can finally agree to report for the consideration of the Senate; and the same thing is true, no doubt, of the other body; but, Mr. President, whatever our difficulties may be, and whatever may be our differences of opinion, I believe that every member of that committee entertains honestly and conscientiously the opinions that he has expressed both in the committee, here, and elsewhere; and I believe it to be the sincere and prayerful desire of every member of that committee, and even of the Senate and of the other House, so to guide our ship of state and so to shape the conduct of our foreign affairs, always recognizing our own handicaps and our own inabilities in that connection as a body, that our Nation will not only be able to steer its course clear of any war that may occur anywhere else in the world but may at the same time protect the interests, protect the safety, protect the traditions, protect the dignity and the welfare of the American people. How that can best be done may be a subject of disagreement among Senators, but we all want to do that. However, regardless of the problems, regardless of the difficulties, Mr. President, regardless of our differences of opinion on the subject, there is one opinion which I think we can all express, and that is we cannot run away from the performance of that duty.

In the midst of these chaotic conditions, which have not been brought about by our Government, which have not been imposed on the world by anything we have done as a nation, in my judgment the American people would feel a profound sense of disappointment in the Congress of the United States if, in order to avoid the hot summer, or in order to hie away to our homes, whether they be hot or cold, or whether we can go to Europe or to Canada or to the South Seas, we should now say, in advance, that we will pass or even seriously consider a resolution to adjourn on the 15th of June, or any other date in the future.

I appreciate the sincerity of the Senator from Alabama, which is a characteristic that always attends his conduct both as a public servant and as a man; but I think, on reflection, the Senator from Alabama must conclude that his resolution cannot be considered at this time and cannot be adopted.

I do not know to what committee the resolution should go, unless it be the Committee on Rules. The resolution is in three parts. I do not know whether or not the Senator from Alabama desires to have it referred to a committee.

The PRESIDING OFFICER. If there be no objection, the concurrent resolution will lie over under the rule.

Mr. BARKLEY. Very well.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House had passed without amendment the following bills of the Senate:

S. 1034. An act to authorize the Secretary of War to terminate certain leases of the Long Island Railroad Co.; and

S. 2044. An act making inapplicable certain reversionary provisions in the act of March 4, 1923 (42 Stat. 1450), and a certain deed executed by the Secretary of War, in the matter of a lease to be entered into by the United States for the use of a part of the former Fort Armistead Military Reservation for air-navigation purposes.

The message also announced that the House had passed the bill (S. 70) to amend section 90 of the Judicial Code, as amended, with respect to the terms of the Federal District

Court for the Northern District of Mississippi, with an amendment, in which it requested the concurrence of the Senate.

The message further announced that the House had passed the bill (S. 752) to amend section 78 of chapter 231, Thirty-sixth United States Statutes at Large (36 Stat. L., sec. 1109), relating to one judicial district to be known as the District of Idaho, and dividing it into four divisions, to be known as the northern, central, southern, and eastern divisions, defining the territory embraced in said divisions, fixing the terms of district court for said divisions, requiring the clerk of the court to maintain an office in charge of himself or deputy at Coeur d'Alene City, Idaho; Moscow, Idaho; Boise City, Idaho; and Pocatello, Idaho; and to authorize the United States District Court for the District of Idaho, by rule or order, to make such changes in the description or names to conform to such changes of description or names of counties in said divisions as the Legislature of Idaho may hereafter make, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 4852) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1940, and for other purposes; that the House had receded from its disagreement to the amendments of the Senate numbered 4, 14, 20, 28, 33, 34, 41, 48, 50, 51, 52, 53, 55, 64, 76, and 77 to the bill, and concurred therein; that the House had receded from its disagreement to the amendment of the Senate numbered 9, and concurred therein with amendments, in which it requested the concurrence of the Senate; and that the House had receded from its disagreement to the amendments of the Senate numbered 16, 19, 27, 32, 46, and 49 to the bill, and concurred therein, severally with an amendment, in which it requested the concurrence of the Senate.

The message further announced that the House had passed the following bills and joint resolution, in which it requested the concurrence of the Senate:

H. R. 162. An act to make effective in the district court for the Territory of Hawaii rules promulgated by the Supreme Court of the United States governing pleading, practice, and procedure in the district courts of the United States;

H. R. 169. An act to facilitate the control of soil erosion and/or flood damage originating upon lands within the exterior boundaries of the Cleveland National Forest in San Diego County, Calif.;

H. R. 892. An act to extend to custodial-service employees employed by the Post Office Department certain benefits applicable to postal employees;

H. R. 1774. An act to authorize the transfer to the State of Minnesota of the Fort Snelling Bridge at Fort Snelling, Minn.;

H. R. 1996. An act to amend the National Stolen Property Act;

H. R. 2009. An act to facilitate the control of soil erosion and/or flood damage originating upon lands within the exterior boundaries of the Angeles National Forest, Calif.;

H. R. 2417. An act to facilitate the control of soil erosion and/or flood damage originating upon lands within the exterior boundaries of the Sequoia National Forest, Calif.;

H. R. 2875. An act to provide that pensions payable to the widows and orphans of deceased veterans of the Spanish-American War, Boxer Rebellion, or Philippine Insurrection shall be effective as of date of death of the veteran, if claim is filed within 1 year thereafter;

H. R. 2987. An act providing for the transfusion of blood by members and former members of the Military Establishment, and by employees of the United States Government;

H. R. 3131. An act to authorize the Secretary of War to convey certain lands owned by the United States for other lands needed in connection with the expansion of West Point Military Reservation, N. Y., and for other purposes;

H. R. 3132. An act to authorize the disposal of cemetery lots;

H. R. 3248. An act authorizing a per capita payment of $15 each to the members of the Red Lake Band of Chippewa Indians from the proceeds of the sale of timber and lumber on the Red Lake Reservation;

H. R. 3587. An act to authorize the Secretary of War to exchange obsolete, unsuitable, and unserviceable machines and tools pertaining to the manufacture or repair of ordnance matériel for new machines and tools;

H. R. 3593. An act authorizing and directing the Secretary of War to execute an easement deed to the city of Duluth for park, recreational, and other public purposes covering certain federally owned lands;

H. R. 4100. An act to amend the naturalization laws in relation to an alien previously lawfully admitted into the United States for permanent residence and who is temporarily absent from the United States solely in his or her capacity as a regularly ordained clergyman or representative of a recognized religious denomination or religious organization existing in the United States;

H. R. 4322. An act giving clerks in the Railway Mail Service the benefit of holiday known as Armistice Day;

H. R. 4532. An act to make effective in the District Court of the United States for Puerto Rico rules promulgated by the Supreme Court of the United States governing pleading, practice, and procedure in the district courts of the United States;

H. R. 5064. An act to amend the act approved June 25, 1910, authorizing establishment of the Postal Savings System;

H. R. 5136. An act to amend the act entitled "An act to provide books for the adult blind," approved March 3, 1931;

H. R. 5452. An act to provide certain benefits for World War veterans and their dependents, and for other purposes;

H. R. 5485. An act permitting the War Department to transfer old horses and mules to the care of reputable humane organizations;

H. R. 5840. An act to amend the act entitled "An act to provide for the protection and preservation of domestic sources of tin," approved February 15, 1936; and

H. J. Res. 171. Joint resolution authorizing the President of the United States to accept on behalf of the United States a conveyance of certain lands on Government Island from the city of Alameda, Calif., and for other purposes.

ENROLLED BILLS AND JOINT RESOLUTION SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills and joint resolution, and they were signed by the President pro tempore:

S. 1034. An act to authorize the Secretary of War to terminate certain leases of the Long Island Railroad Co.;

S. 2044. An act making inapplicable certain reversionary provisions in the act of March 4, 1923 (42 Stat. 1450), and a certain deed executed by the Secretary of War, in the matter of a lease to be entered into by the United States for the use of a part of the former Fort Armistead Military Reservation for air-navigation purposes; and

H. J. Res. 279. Joint resolution making supplemental appropriations for printing and binding and stationery for the Treasury Department for the fiscal year ending June 30, 1939.

INTERIOR DEPARTMENT APPROPRIATIONS

The PRESIDING OFFICER laid before the Senate a message from the House of Representatives announcing the action of the House on certain amendments of the Senate to House bill 4852, the Interior Department appropriation bill, 1940, which was read, as follows:

IN THE HOUSE OF REPRESENTATIVES,
May 1, 1939.

Resolved, That the House recede from its disagreement to the amendments of the Senate numbered 4, 14, 20, 28, 33, 34, 41, 48, 50, 51, 52, 53, 55, 64, 76, and 77 to the bill (H. R. 4852) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1940, and for other purposes, and concur therein;

That the House recede from its disagreement to the amendment of the Senate numbered 9 to said bill and concur therein with the following amendments:

In line 21 of said Senate engrossed amendment strike out "for the purposes"; and

In line 22 of said amendment strike out "hereof" and insert a comma and "notwithstanding the provisions of section 7 of the act of June 22, 1936 (49 Stat. 1647, 1648)."

That the House recede from its disagreement to the amendment of the Senate numbered 16 to said bill and concur therein with an amendment as follows: In lieu of the matter inserted by said

amendment insert a colon and *"Provided,* That hereafter no individual of less than one-quarter degree of Indian blood shall be eligible for a loan from funds made available in accordance with the provisions of the act of June 18, 1934 (48 Stat. 986), and the act of June 26, 1936 (49 Stat. 1967)."

That the House recede from its disagreement to the amendment of the Senate numbered 19 to said bill and concur therein with an amendment as follows: in lieu of the matter inserted by said amendment insert a colon and *"Provided further,* That hereafter any appropriation for the development of Indian arts and crafts, made pursuant to the act of August 27, 1935 (49 Stat. 891), shall be available for the payment of not to exceed $10 per diem in lieu of subsistence and other expenses of members of the Indian Arts and Crafts Board, serving without other compensation from the United States, while absent from their homes on official business of the Board";

That the House recede from its disagreement to the amendment of the Senate numbered 27 to said bill and concur therein with an amendment as follows: In lieu of the matter inserted by said amendment insert:

"Reindeer Service: For supervision of reindeer in Alaska and instruction in the care and management thereof, including salaries and travel expenses of employees, purchase, rental, erection, and repair of range cabins, purchase and maintenance of communication and other equipment, and all other necessary miscellaneous expenses, including $3,000 for the purchase and distribution of reindeer, $75,000, to be immediately available, and to remain available until June 30, 1941";

That the House recede from its disagreement to the amendment of the Senate No. 32 to said bill and concur therein with an amendment as follows: In lieu of the sum inserted by said amendment insert "$478,247";

That the House recede from its disagreement to the amendment of the Senate No. 46 to said bill and concur therein with an amendment as follows: In lieu of the sum inserted by said amendment insert "$10,523,000"; and

That the House recede from its disagreement to the amendment of the Senate No. 49 to said bill and concur therein with an amendment as follows: In lieu of the sum inserted by said amendment insert "$11,382,600."

Mr. HAYDEN. I move that the Senate concur in the amendments of the House to Senate amendments numbered 9, 16, 19, 27, 32, 46, and 49 to the bill.

The motion was agreed to.

HOUSE BILLS AND JOINT RESOLUTION REFERRED

The following bills and joint resolution were severally read twice by their titles and referred or ordered to be placed on the calendar, as indicated below:

H. R. 162. An act to make effective in the District Court for the Territory of Hawaii rules promulgated by the Supreme Court of the United States governing pleading, practice, and procedure in the district courts of the United States;

H. R. 1996. An act to amend the National Stolen Property Act; and

H. R. 4532. An act to make effective in the District Court of the United States for Puerto Rico rules promulgated by the Supreme Court of the United States governing pleading, practice, and procedure in the district courts of the United States; to the Committee on the Judiciary.

H. R. 169. An act to facilitate the control of soil erosion and/or flood damage originating upon lands within the exterior boundaries of the Cleveland National Forest in San Diego County, Calif.;

H. R. 2009. An act to facilitate the control of soil erosion and/or flood damage originating upon lands within the exterior boundaries of the Angeles National Forest, Calif.; and

H. R. 2417. An act to facilitate the control of soil erosion and/or flood damage originating upon lands within the exterior of boundaries of the Sequoia National Forest, Calif.; to the Committee on Agriculture and Forestry.

H. R. 892. An act to extend to custodial-service employees employed by the Post Office Department certain benefits applicable to postal employees;

H. R. 4322. An act giving clerks in the Railway Mail Service the benefit of holiday known as Armistice Day; and

H. R. 5064. An act to amend the act approved June 25, 1910, authorizing establishment of the Postal Savings System; to the Committee on Post Offices and Post Roads.

H. R. 1774. An act to authorize the transfer to the State of Minnesota of the Fort Snelling Bridge at Fort Snelling, Minn.;

H. R. 2987. An act providing for the transfusion of blood by members and former members of the Military Establishment, and by employees of the United States Government;

H. R. 3131. An act to authorize the Secretary of War to convey certain lands owned by the United States for other lands needed in connection with the expansion of West Point Military Reservation, N. Y., and for other purposes;

H. R. 3132. An act to authorize the disposal of cemetery lots;

H. R. 3593. An act authorizing and directing the Secretary of War to execute an easement deed to the city of Duluth for park, recreational, and other public purposes covering certain federally owned lands; and

H. R. 5840. An act to amend the act entitled "An act to provide for the protection and preservation of domestic sources of tin," approved February 15, 1936; to the Committee on Military Affairs.

H. R. 2875. An act to provide that pensions payable to the widows and orphans of deceased veterans of the Spanish-American War, Boxer Rebellion, or Philippine Insurrection shall be effective as of date of death of the veteran, if claim is filed within 1 year thereafter; to the Committee on Pensions.

H. R. 3248. An act authorizing a per capita payment of $15 each to the members of the Red Lake Band of Chippewa Indians from the proceeds of the sale of timber and lumber on the Red Lake Reservation; to the Committee on Indian Affairs.

H. R. 3587. An act to authorize the Secretary of War to exchange obsolete, unsuitable, and unserviceable machines and tools pertaining to the manufacture or repair of ordnance matériel for new machines and tools; to the calendar.

H. R. 4100. An act to amend the naturalization laws in relation to an alien previously lawfully admitted into the United States for permanent residence and who is temporarily absent from the United States solely in his or her capacity as a regularly ordained clergyman or representative of a recognized religious denomination or religious organization existing in the United States; to the Committee on Immigration.

H. R. 5136. An act to amend the act entitled "An act to provide books for the adult blind," approved March 3, 1931; to the Committee on the Library.

H. R. 5452. An act to provide certain benefits for World War veterans and their dependents, and for other purposes; and

H. R. 5485. An act permitting the War Department to transfer old horses and mules to the care of reputable humane organizations; to the Committee on Finance.

H. J. Res. 171. Joint resolution authorizing the President of the United States to accept on behalf of the United States a conveyance of certain lands on Government Island from the city of Alameda, Calif., and for other purposes; to the Committee on Public Buildings and Grounds.

REGULATION OF TRUST INDENTURES, ETC.

Mr. BARKLEY. Mr. President, if no other Senator wishes to discuss the resolution of the Senator from Alabama, I desire to address myself to the unfinished business, which is Senate bill 2065, and I ask unanimous consent that the Senate now resume its consideration.

There being no objection, the Senate resumed the consideration of the bill (S. 2065) to provide for the regulation of the sale of certain securities in interstate and foreign commerce and through the mails, and the regulation of the trust indentures under which the same are issued, and for other purposes.

Mr. McNARY. Mr. President——

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from Oregon?

Mr. BARKLEY. I do.

Mr. McNARY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Barbour	Burke	Clark, Idaho
Andrews	Barkley	Byrd	Clark, Mo.
Ashurst	Bilbo	Byrnes	Connally
Austin	Bone	Capper	Danaher
Bailey	Borah	Caraway	Donahey
Bankhead	Bulow	Chavez	Downey

Ellender	Holt	Minton	Slattery
Frazier	Hughes	Murray	Smith
George	Johnson, Calif.	Neely	Taft
Gerry	Johnson, Colo.	Norris	Thomas, Okla.
Gibson	King	Nye	Thomas, Utah
Gillette	La Follette	O'Mahoney	Tobey
Glass	Lee	Overton	Townsend
Green	Lodge	Pepper	Truman
Guffey	Logan	Pittman	Tydings
Gurney	Lucas	Reed	Vandenberg
Hale	Lundeen	Reynolds	Wagner
Harrison	McCarran	Russell	Walsh
Hatch	McKellar	Schwartz	Wheeler
Hayden	McNary	Schwellenbach	White
Hill	Maloney	Sheppard	Wiley
Holman	Miller	Shipstead	

The PRESIDING OFFICER. Eighty-seven Senators having answered to their names, a quorum is present.

Mr. BARKLEY. Mr. President, I desire in advance to confess my shortcomings in attempting to deal adequately with so intricate and complicated a subject as that which is dealt with in the pending measure.

This bill is the result of an investigation made by the Securities and Exchange Commission under a mandate of the Congress of the United States. In the Securities and Exchange Act of 1934, section 211, the Commission, in the following language, was ordered to make an investigation:

> The Commission is authorized and directed to make a study and investigation of the work, activities, personnel, and functions of protective and reorganization committees in connection with the reorganization, readjustment, rehabilitation, liquidation, or consolidation of persons and properties and to report the result of its studies and investigations and its recommendations to the Congress on or before January 3, 1936.

Carrying out the mandate contained in the last paragraph of the Securities and Exchange Act of 1934, the Commission carried on an investigation for more than 2 years. That investigation led to a study of trust indentures, a form of legal document issued in connection with large financing operations and the issuance of bonds by corporations throughout the United States. I may say that there are today outstanding more than $40,000,000,000 in bonds issued by corporate institutions based upon the legal instrument known as the trust indenture; and four and one-half billion dollars' worth of these bonds have been issued to the public since the creation of the Securities and Exchange Commission, and have, under the securities law, been required to be filed and disclosure made before the Commission as a preliminary step toward the issuance of bonds based upon these trust indentures.

The report of the Commission to Congress consisted of seven volumes. I have here volume 6, which contains 220 pages, giving the Congress in some detail the result of the Commission's investigation of trusteeships under trust indentures. It is a very illuminating document. The work was carried out carefully and methodically, and, as I believe, judicially. The Commission has assembled in volume 6 of the report a wealth of information, the study of which I think will convince any fair-minded man that legislation of this type is necessary and desirable.

As a result of the investigations and the facts disclosed, the Commission, the Committee on Banking and Currency, the bankers' associations, and various organizations throughout the country have been giving careful study to the subject of legislation designed to protect bondholders scattered all over the United States who buy these bonds, but never see the indentures on which they are based, against loss of their money in the investment which they make; designed to protect the bondholders not only through the performance of more rigid duties upon the part of the trustee, but designed to protect them also in having a public place where they may go, if necessary, to find the general terms of the indenture upon which have been issued the bonds in which they have invested their money.

Mr. TAFT. Mr. President——

Mr. BARKLEY. I yield to the Senator from Ohio.

Mr. TAFT. Does not the Securities and Exchange Act now require that the indentures be filed with the securities, so that any investor in a security may examine the indenture at his leisure before he buys the security?

Mr. BARKLEY. Yes; the law requires that a concern desiring to issue a series of bonds or to float a bond issue shall disclose before the Commission the condition of the company and the facts connected with the bond issue, and file a copy of its indenture; but the law gives the Commission no control over the indenture. The corporation merely files with the Commission the instrument which they propose to issue. The Commission has no power to approve or disapprove the form of the instrument.

Mr. President, that has been one of the defects of the Securities Act. I will say also that, notwithstanding the fact that four and a half billion dollars worth of these securities have been issued on indentures since the creation of the Exchange Commission, notwithstanding the investigations which have been carried on by the Commission, notwithstanding the pendency of legislation before Congress on the subject for the last 3 years, notwithstanding the recommendations and the publicity given to the findings of the Commission, there has been no substantial improvement in the form and requirements of the trust indenture since the creation of the Securities and Exchange Commission and since the investigation.

The persistence of these defects in Securities Act indentures shows that mere disclosure of the provisions of the indenture is not enough. Such disclosure frequently takes the form of long, complicated quotations from the indenture itself. Besides, the Securities Act does not require a disclosure of the reasons why the inclusion of particular provisions or the omission of others is harmful to investors, and the most elaborate explanation would not be enough to make the average investor understand why.

Let me say in that connection that these indentures run all the way from 50 pages to as high as 300 pages of complicated legal phraseology, and the average investor, if he had the opportunity to read one, would in all probability be unable to understand it.

Mr. President, I hold in my hand a volume which constitutes an indenture of the Michigan Consolidated Gas Co. to the City Bank Farmers Trust Co., and Ralph E. Morton, trustees. It is an indenture of mortgage and deed of trust. This indenture consists of 365 pages of rather closely printed technical legal phraseology. The man who bought the bonds that were issued under this indenture never saw the indenture. The bond which he bought consisted probably of one sheet, which he could fold up and put in his pocket, a sheet with gold letters and gold braid upon it, which made it look beautiful. But he never saw this indenture, and if he had seen it he probably could not have understood it in time to have invested his money in bonds that were issued upon it as a basis.

Mr. LOGAN. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. LOGAN. I wish to ask a question right there about which I am concerned. As I understand, the bill deals with bonds which have been issued by resident corporations or associations, and attempts to provide a better means of protecting the bondholders, who live in different parts of the United States. I am wondering whether the bill has any effect on the holders of securities which were issued by foreign governments and their subdivisions, which are scattered all over the United States, and the holders of the bonds seem to be absolutely helpless. A few voluntary committees or corporations have been organized, and I was wondering whether the provisions of the bill attempted to provide any assistance for the holders of these bonds issued by foreign governments and now held by our citizens.

Mr. BARKLEY. The categorical answer to that question is "no." The Securities Act requires that these foreign bonds be registered.

Mr. LOGAN. I understand that.

Mr. BARKLEY. But there is no way by which the Government of the United States can control the formulation of the document on which these bonds are issued in foreign countries.

Mr. LOGAN. They are issued by banks of issue or trustees in this country.

Mr. BARKLEY. They are issued in foreign countries somewhat after the same fashion in which the bonds are issued in this country. We have no way of controlling the initiation of the bond issue.

Mr. LOGAN. I understand that.

Mr. BARKLEY. We have no way of saying what shall be in the indenture. The bonds are sent to this country and are distributed by American financial institutions, and undoubtedly the public has been very grievously imposed upon in years gone by in connection with them.

Mr. LOGAN. Does not the bill provide that where the public has been imposed upon by the issuance of bonds by corporations in this country the Securities and Exchange Commission may appoint a trustee to protect the bondholders and find out what their rights are? That, as I understand, is the chief end of the bill. Why does not the bill contain a provision that the Securities and Exchange Commission may appoint someone representing the holders of foreign securities to see that their rights are protected and make report to the Securities and Exchange Commission? It seems to me it is equally important that the holders of securities of foreign countries should be protected.

Mr. BARKLEY. In ordinary cases the foreign bonds which are issued in foreign countries and sold in this country do not have what we call in America "trustees." Ordinarily there is no trusteeship with respect to these bond issues which are floated and circulated among the people of the United States. This provision of the Securities Act applies to new issues, and not to old issues.

Mr. LOGAN. If the Senator will permit me to interrupt, I understand that a trustee may be appointed not only for future issues but for past issues, under the provisions of the bill.

Mr. BARKLEY. The Senator is mistaken with respect to the appointment of trustees.

Mr. LOGAN. I am not on the committee, and I may be mistaken; but the fact is that voluntary committees have been organized and settlements made with foreign countries for the bondholders. There has been no restriction as to how much should be charged. No one has had control over any such corporation or committee as may have been organized, and they are allowed to run absolutely wild. I wonder if it is not possible, in legislation such as that proposed, to place these committees, corporations, individuals, or whoever they may be, claiming to represent the holders of the securities of foreign governments, under the Securities and Exchange Commission, so that they may be subject to the regulations of the Securities and Exchange Commission. It seems to me some legislation like that is very important.

Mr. BARKLEY. Mr. President, that question has been given very serious study and consideration, not only by the Securities and Exchange Commission but by the committee and by the Congress, and by all who have dealt with the subject. What we are trying to do is, in advance of their issue, to set up conditions on which these bonds shall be issued.

A trust indenture is ordinarily prepared by the issuer. In most cases the trustee himself takes no part in the preparation of the indenture. Ordinarily the issuer and the underwriter, which is the institution which proposes to take the bonds and distribute them among the people, go into executive session and prepare the indenture, and in a large number of cases, if not in most cases, the trustee itself never saw the indenture, did not participate in its formulation, and did not know its terms until it became the trustee and saw the indenture which had been previously worked out.

The Senator will realize the impossibility of the Congress of the United States undertaking by any legislation that is conceivable to fix the conditions under which these instruments might be drawn up in any foreign country and sold to the people of other countries, and that problem, although it was considered very carefully, is not within the scope of the proposed legislation.

Mr. LOGAN. I understand. But aside from that, we have the following situation: A few years ago there were sold to the citizens of our country literally billions of dollars of securities of foreign countries. They were sold under our laws existing at that time, and the purchasers of those securities have lost literally billions of dollars. The questions involved have not been settled. In many instances there has been no effort made to settle them. I want to know if the Government of the United States refuses to provide any instrumentality whereby those innocent victims may be entitled to a fair hearing on the part of someone in the Government who can give them some relief perhaps if the matter were intelligently handled.

Mr. BARKLEY. I will say to my colleague that it is not a question of the Government refusing to give any help to those who have in the years gone by invested in these bonds, many of them bogus and worthless. We have provided in the law which is being administered by the Securities and Exchange Commission that all future issues of these bonds that are attempted to be sold in the United States shall be registered with the Commission; that there shall be a disclosure of the conditions under which they are issued in order that the American investor may find out more than he ever could before with respect to the conditions of the government which issues them, if it happens to be a government, or of the private corporations, if they are private corporations, that issue these bonds for flotation or sale throughout the United States. But we have never yet been able to work out any plan, I will say to my colleague, by which we can anticipate the issue of bonds in any foreign country so as to control the conditions under which the legal instruments are drawn up in connection with those issues. All we have been able to do so far is to require that they be registered in a public place, which is the Commission, where they may be inspected by those who are interested in the investments.

Mr. LOGAN. Evidently our Government thought that something could be done to protect the holders of securities of governments, because when Mr. William O. Douglas was brought to Washington his first job was to investigate these committees and corporations that had set themselves up to represent the bondholders in the United States in negotiations with foreign governments. A state of affairs amounting, I might say, to a scandal was developed by Mr. Douglas' investigation. Nothing has been done about it. It was charged and it was developed that enormous fees were paid at the expense of the bondholders. It does seem to me that while we are dealing with legislation such as this there ought to be some provision that the poor neglected bondholders who were imposed upon should be protected by the Government of the United States against exploitation.

Mr. BARKLEY. I agree with the Senator as a matter of principle that we ought to go as far as we can to do that, but the provision which exempts these bonds from the provisions of these sections with respect to the formulation of the indenture is in the following language:

SEC. 304. (a) The provisions of sections 305, 306, 323, 324, and 325 of this title shall not apply to any of the following securities:

* * * * * * *

(6) any note, bond, debenture, or evidence of indebtedness issued or guaranteed for a foreign government or by a subdivision, department, municipality, agency, or instrumentality thereof.

So that the exemption from the provisions of the bill as pertaining to the formulation of the indenture applies to securities that are issued by the governments of foreign countries, or by any public subdivision thereof, and I do not know how we could write a law that would give Congress or the Commission any power to anticipate or supervise the writing of the obligations by which foreign governments promise to pay money to those who invest their money in their bonds.

Mr. LOGAN. I may say to my colleague that I agree with him, but that is not getting to the point. Some of these committees or corporations representing bondholders, or claiming to represent them, have negotiated settlements with foreign governments. The bondholders have had little to say in the matter at all. These committees, which charge

$100,000 or $1,000,000 to bring about a settlement, are subject to no control whatever, so I understand. I was just wondering if it were not possible to confer authority upon the Securities and Exchange Commission to see that the holders of foreign securities are not despoiled by those who are in it for their own selfish interests.

Mr. BARKLEY. I will say to the Senator that at the last session of Congress a bill was introduced in the House dealing separately with committees. The present bill does not attempt to deal exhaustively with the matter of appointing committees. The main object of this bill is to provide for writing an instrument, not only binding the issuer of the obligations but binding the trustee appointed under that issue, in order to protect the men and women of this country who are scattered all over the country, who invest their money, a thousand dollars or $10,000 or $25,000, and who have always been accustomed to look to the trustee for the protection of their interests; and that faith has not always been justified, as the investigation has amply demonstrated.

Mr. LOGAN. I understand you are trying to lock the door before the horse is stolen; but, even after he has been stolen, I wonder if there is not some obligation on the Government to help the holders of securities?

Mr. BARKLEY. Of course those holders of securities that have been purchased in the past can now form committees. They have the right to form their bondholders' committees, their protective committees, and do that now under the law, and they have the right to come into court to enforce their rights against the issuer. One of the difficulties has been the looseness with which the obligations and the duties of the trustees have been provided for in these indentures. This was a defect we are trying to correct here. It is a sort of process of locking the door before the horse is stolen; and my experience has always been, both personal and legislative, that there is not a great deal you can do about it after the horse is stolen.

Mr. LOGAN. You can get him back.

Mr. BARKLEY. Yes; you can go and find him and get h'm back. But to lock the door then is not a very adequate remedy.

Mr. LOGAN. I thank the Senator.

Mr. BARKLEY. But the subject that the Senator has brought into the discussion is one that is not dealt with in the pending bill for the reason that it does not undertake to deal with the creation of committees primarily. If it may be found possible to work out legislation that might more conclusively protect those who have heretofore invested their money in the foreign securities, just as in our own securities in this country where the door was locked also after the horse had been stolen, I would be profoundly in sympathy with such legislation, but the bill does not attempt to deal with it.

Mr. ADAMS. Mr. President——

The PRESIDING OFFICER (Mr. MINTON in the chair). Does the Senator from Kentucky yield to the Senator from Colorado?

Mr. BARKLEY. I yield.

Mr. ADAMS. If I understand the theory of the bill, the form of the indenture is not definitely described, but it is provided that unless the form of the indenture meets certain requirements, the securities issued under it may not go into interstate commerce. That is, the regulation of the form of the indenture is indirect. My suggestion following that of the Senator from Kentucky [Mr. LOGAN] is this: If the form of the indenture can be controlled by denying access to domestic bonds in interstate commerce, I know of no reason why we cannot say that a foreign bond shall not be permitted to enter the channels of commerce or go through the mails unless it was issued in a certain way. In other words, we have the same right to control the one as the other.

Mr. LOGAN. I think so. I do not think we should say that the trust indentures in this country should be subject to a certain law, but that the securities of foreign countries can come in here and be turned loose in any form they please.

Mr. ADAMS. All we do is to control the handling of bonds in interstate and foreign commerce. It seems to me we ought not to permit our channels of interstate and foreign commerce to be used for the transmission of foreign bonds which are far more deleterious and unsafe than those which have a domestic trustee.

Mr. LOGAN. I agree with the Senator heartily.

Mr. ADAMS. Mr. President, may I make one other statement?

Mr. BARKLEY. I yield.

Mr. ADAMS. The Senator from Kentucky made a statement which I do not think ought to stand entirely unchallenged, and that is that the trustees never know the contents or substance of the indenture. I do not know anything about the practice elsewhere than in the little locality where I have practiced, but I know from my own experience that when you seek to have a trustee accept an indenture, if you are compelled to submit your indenture to a trust company it is scrutinized by the attorneys for the trust company, who nearly always have insistence on certain provisions. I know nothing about New York, Chicago, or Kentucky, but I do know that in the western area there is a definite control by the trustee of the form of the indenture.

Mr. BARKLEY. I will say to the Senator from Colorado that I did not say that the trustee never sees the indenture. The Senator from Colorado misunderstood me. I said that in many cases, if not in most cases, the draftsmanship of the indenture is conducted by the issuer and the underwriter. That the trustee, of course, sees it when it is asked to become a trustee, and the trustee may look it over and make suggestions with reference to changes in it, but the experience of the past has been that in most cases where the trustee has done that the changes were designed to relieve the trustee in many cases from some of the duties which ought to be performed by the trustee. But if the Senator got the impression that I meant that trustees generally have been so negligent that they never even looked at these indentures, he got the wrong impression.

Mr. ADAMS. Then I misunderstood the statement of the Senator.

Mr. BARKLEY. I did not mean it at all in that sense.

Mr. KING. Mr. President, will the Senator from Kentucky yield?

Mr. BARKLEY. I yield.

Mr. KING. With reference to the observations made by his colleague, it seems to me that there are many objections to attempting, certainly at this time, to legislate to cover the situations to which he refers. I wish to illustrate what I mean. A few years ago, right after the war, many of the cities of Germany, including the Reich itself, issued securities amounting to hundreds of millions, and even to several billions of marks. I know that a large number of German-Americans, sympathizing, as was proper, with their mother country, and desiring to help the rehabilitation of the country, purchased thousands and millions of those marks, marks that were issued by various cities and various provinces and by the German Government itself. They purchased them from Germany. They had friends and relatives in Germany, and they purchased through them the obligations of the cities and of the Reich, to which I have referred. Within the past few days I have received a number of communications from American citizens who had very great faith in Brazil a few years ago, and they purchased many of the bond issues or portions of the bond issues of São Paulo and many others of the Provinces of Brazil. They have written to me, and several of them came to see me personally, to inquire whether or not our Government had undertaken or would undertake to afford protection, because for some time they had not received the interest upon the bonds.

I do not see how we can protect against those instances, because usually the purchases were made in foreign countries through foreign interests. As stated by the Senator, in a number of instances the holders of bonds have formed committees; but they have been voluntary committees formed by the holders of the securities, and, of course, they have not been subject to the scrutiny or supervision of the Federal Government. It would be very difficult to meet that situation by legislation.

Mr. BARKLEY. Let me respond to that suggestion for just a moment. I agree with the Senator that it is utterly impossible for us to attempt to fix the terms under which foreign securities shall be issued. After they have been issued and are distributed among American citizens, all we can do is to authorize the security holders to take such steps as they may see fit to take in order to protect themselves. However, we cannot, by any legislation of our own, attack the validity of foreign obligations; especially the validity of foreign government obligations. Such an effort would lead us into complications which we have not yet seen fit to undertake, and which I doubt if we ought to undertake. What we are trying to do in the proposed legislation is to prescribe the conditions under which the bonds shall be issued and the long, legalistic documents written, under which trustees are appointed, so that the men and women of the country who go down into their pockets and invest their money in the bonds of such corporations will have all the protection which the law can throw around them, not only in the formation of the instrument, which they may never see—and in most cases can never see—but by putting additional obligations on the trustee, who is primarily the representative of the security holders and not the representative of the issuer or the underwriter. We have attempted to do what I have described.

The Senator from Colorado [Mr. ADAMS] suggested that we have undertaken in general terms to prescribe the conditions and terms of the debenture. Approximately 34 pages of the bill deal with what shall or shall not be contained in a debenture which is filed for qualification with the Securities and Exchange Commission by the company or institution desiring to issue the bond.

We give the Commission no power over the business of the company. We give the Commission no authority over the terms, the rate of interest, or the sinking fund. We give the Commission no authority whatever over the business features of the indenture and the obligations. The bill exempts issues of $1,000,000 or less from its provisions. We say: "If you are going to issue bonds to the extent of more than $1,000,000 under a debenture plan, the debentures shall contain the provisions that are set out as necessary in the bill now pending." Of the 34 pages, 26 could be lifted bodily and put into the indenture without any change, if those who are instrumental in its formation desire to do so.

I will say also that we must base this legislation upon the authority of Congress over the mails and over interstate commerce. All our legislation regulating the issue of securities is based upon the use of the instrumentalities of interstate commerce and the mails. That is our fundamental authority for dealing with the subject.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. TAFT. Is it not true that the foreign government bonds spoken of are nearly all issued without any indenture at all, so that the bill never would affect in any way the issue of foreign government bonds?

Mr. BARKLEY. That is true. I stated practically the same thing. The large majority of them are issued without any indenture at all, so there would be no object in attempting to deal with that subject even if we had the power.

Mr. President, I am now attempting to make only a general statement with respect to the objectives of the bill. In studying the history of the debenture in this country it is amazing to realize how utterly helpless and hopeless those who invest their money in such bonds have been and now are with respect not only to knowing anything about the situation but with respect to having anything to do with it. The debenture and all its terms have been prepared and agreed upon, and the trustee has been appointed before the bonds are distributed to the public. If I, in my home in Kentucky, or if the Senator from Arkansas [Mr. MILLER] out in Little Rock, or if the Senator from Montana [Mr. WHEELER] out in Butte, Mont., desires to purchase $10,000 or $20,000 worth of the bonds which are being distributed by an underwriter, he has no voice in the selection of the trustee. He has no voice in the writing of the terms of the loan. Of course, it may be said that he can always refuse to invest his money in the bonds. That is undoubtedly true; but if everybody refused to invest his money in bonds because he had not had anything to do with the appointment of a trustee or the formation of a trust indenture, there would be much more complaint than there now is in this country to the effect that securities cannot be sold because of a lack of faith in the investors who purchase such securities.

Mr. President, some of the indentures have gone so far as not only to exculpate the trustee from responsibility for ordinary negligence but even to the extent of exculpating him from responsibility for willful misconduct in the management of the trust. The trouble has been that trustees have looked upon the relationship as a sort of glorified clerkship, in which they assume no obligation to keep in touch with the condition of affairs, or to notify the bondholders of the condition of affairs, or to advise them of approaching default in the payment of interest or principal. Even after default, in many cases they have been grossly negligent in notifying the bondholders.

Of course, a bondholder knows when he fails to receive an installment of interest on his money, and he may set in motion inquiries leading to the ascertainment of such information as he can obtain with respect to the cause and probable duration of the default. But the difficulty which surrounds bondholders scattered widely all over the United States, under the terms of the debentures, many of which are apparently designed to protect the trustee more than to protect the bondholders, has been that bondholders are not even furnished with a list of other bondholders so that they might get in communication with them in an effort to form committees or take other effective steps designed to protect their interests. In many cases the trustee himself—or itself, if it is an institution—does not possess a list of the bondholders; and the only reason a list of bondholders is now available at all in the hands of the issuer of the obligation is because of the internal-revenue laws of the United States, which require disclosure of payments of interest to bondholders, for purposes of income tax.

So, Mr. President, the bill undertakes to write into the law the minimum provisions thought necessary to protect the investors of the United States in the bonds of corporate institutions. In my judgment the bill will strengthen the confidence and faith of investors in the purchase of such securities. It will make them understand that a law has been passed, and that there is an agency of our Government which is designed to see to it that in order to issue bonds in the first place a copy of the debenture must be filed with the Commission in Washington. The debenture must comply with the minimum terms of the law which we are now trying to enact; and when the debenture has complied with the minimum requirements of the law which we are now considering, every investor, although he may not know the trustee, although he may never see the indenture, although he may not be familiar with the legal terminology of the indenture, may know that the Government of the United States, through its agency, has provided in advance for as large a modicum of protection to him as it is possible to frame at this time in the form of a statute. The bill makes it impossible for a trustee to agree to a trust under an indenture which relieves him from the responsibility for ordinary negligence.

This bill requires that such an indenture shall contain provisions making it mandatory that the trustee shall exercise the ordinary prudence that any other kind of fiduciary would exercise under similar circumstances in regard to the management of the trust. It requires that he give, upon request, to every bondholder in America a list of other bondholders, so that in case of any difficulty, in case of default, or in case the assets of the corporation are being or have been dissipated the bondholders may communicate one with another in the formation of protective committees looking toward the taking of legal steps which may be available to them in the protection of their interests.

The bill requires that the trustee shall do what he has not been in the habit of doing heretofore, that is, keep somewhat in touch with the concern which has issued the bonds, in order that he himself may be advised as to whether the terms of the indenture are being complied with or whether before default the bondholders are entitled to information that would enable them to take steps to protect themselves under the indenture.

We have all read of the recent case of McKesson & Robbins. The newspapers were full of it. It was a scandal in the financial circles of the United States. That case shows how important it is that the obligor be required to furnish to the trustee adequate evidence of its performance of its obligations under the indenture. The McKesson & Robbins Co. sold an issue of bonds in 1930, $16,000,000 of which are now outstanding. In the indenture the company agreed to maintain a certain current asset position and to furnish financial statements every year; but although three-quarters of the company's assets were represented by inventory and accounts receivable, the indenture did not require the accountants to make a simple "test check" of inventory and receivables.

Only last December a $20,000,000 shortage was discovered in those items, which would have been discovered years before if such a "test check" had been made. While the resulting loss will fall first on the stockholders, it is not yet certain whether the bondholders will not also sustain a loss.

Section 315 (d) of this bill——

Mr. TAFT. Mr. President——

Mr. BARKLEY. I will yield in a moment. Section 315 (d) would have authorized the highly reasonable requirement of a "test check" of inventory and receivables in such a situation.

I now yield to the Senator from Ohio.

Mr. TAFT. As I understand the case referred to by the Senator, there was the usual requirement of investigation by a certified public accountant. There is nothing in this bill that would require anything additional to what was required and was done by the accountants, who simply did not do the job they probably should have done. Is not that the fact?

Mr. BARKLEY. There is a provision in this bill that gives the Commission some supervision over the conduct of certified accountants and the type of experts who are required to do this work.

Mr. TAFT. The certified public accountants in this case were Price, Waterhouse & Co., who have a reputation of being among the best certified accountants in the United States.

Mr. BARKLEY. I have no information as to that. The Senator is probably correct as to the firm that did the work. But the passage of a law which would fix a more rigid responsibility upon the trustee and upon the obligor and even upon those who are selected to investigate and check up on the current financial situation of a concern, which is supposed to be a going concern, would undoubtedly result in a more desirable and concurrent body of information, so that if the trustee had occasion to advise the bondholders of conditions he would have certified information upon which to base his advice and his own comment.

Mr. ADAMS. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from Colorado?

Mr. BARKLEY. I yield.

Mr. ADAMS. Perhaps the question I had in mind was answered in the colloquy between the Senator from Ohio and the Senator from Kentucky. If so, I trust the Senator will pardon me for asking the question again. If the McKesson & Robbins situation had developed while such a bill which the Senator is now advocating had been in existence, would there have been a liability upon the part of the trustee for the loss suffered by the bondholders?

Mr. BARKLEY. There would not have been an automatic liability; or if the Commission had been negligent in the exercise of its discretion in determining upon the type of investigation and check-up and certified accountants, and certification was made, of course, the trustee would not be liable because of any failure to perform its duty by the Commission, which is given discretion in the bill to deal with and pass upon and supervise the type of expert investigation which shall be made in connection with these matters.

Mr. ADAMS. The Senator realizes what was in my mind, namely, a bank or a trust company acting as trustee. Such institutions have deposits, and they would have two obligations—one to their depositors and one to the holders of bonds. If there were default or some misconduct which affected the holders of the bonds, it might readily, if there were liability, react to the very serious damage of the depositors, might it not?

Mr. BARKLEY. That is possible.

Mr. ADAMS. May I ask one further question?

Mr. BARKLEY. Certainly.

Mr. ADAMS. In the State of Colorado we have by statute an official who is known as the public trustee. Indentures or deeds of trust may run to the public trustee whose duties are, in a measure, prescribed by statute. Would the provisions of the bill which is now before the Senate apply to a trust where the trustee is such a public official?

Mr. BARKLEY. It probably would where the issue is under a million dollars.

Mr. ADAMS. Does not the Senator mean where it is over a million dollars?

Mr. BARKLEY. No. The Senator is speaking now about a State officer created by the State of Colorado to deal with the local issue of securities in the State. Of course the authority of the trustee set up by the laws of the Senator's State, with which I do not happen to be familiar, I will say, might conceivably be extended to the point where he could exercise jurisdiction over an issue of bonds which might not be sold wholly within the State of Colorado but might be transmitted in the mails or through instruments of interstate commerce to purchasers of the bonds outside the State.

Mr. ADAMS. But the bill which is before us governs all trustees either corporate or private.

Mr. BARKLEY. It governs the trustees that are made trustees under indentures that have to be filed with the Commission under the form set out in the law.

Mr. ADAMS. I notice in the hearings a statement by one witness that if the bill were passed it might lead to an increase of what he designated as "private placements" as distinguished from regular trustees. I wondered what that signified.

Mr. BARKLEY. I think what that witness had in mind was the possible matter of cost of coming to Washington and filing applications. But the bill attempts to simplify and consolidate not only the filing of applications for qualification of the indentures but with the filing of the application a disclosure as to the bond issue itself; so that it can be a simultaneous transaction and, therefore, reduce to a minimum any additional cost that might be involved in the selling of the bonds under this indenture scheme.

Mr. ADAMS. But if a private individual were selected as a trustee as distinguished from a corporate trustee, it would make no difference in the application of the proposed law?

Mr. BARKLEY. Of course, this bill requires that at least one trustee of bonds and indentures issued under it shall be a corporate institution. There are some States that require personal trustees, and in those States the bill provides for an additional trustee, but there must be at least one corporate trusteeship under the bill as it is now being considered.

Mr. President, I might briefly refer to the risk of liability for the trustee. The bill will hold the trustee to the standard of ordinary prudence, but only in the period after default. Section 315 (c) is the one that provides for that. These sections are scattered throughout the bill, and I am not going to attempt to read them. Under section 315 (d) (1), before default the trustee is liable only for the performance of the specific duties set out in the indenture. Of course, there is a difference in the obligation that would devolve upon the trustee before default and after default, although there is a provision for a 4-month period prior to default in which certain obligations are incurred and certain funds are to be accounted for and set aside out of certain proceeds of the business

itself and other things set out in the proposed statute. There is, however, no reason why any competent trust institution should fear to act under one of these indentures, particularly in view of the safeguards provided by section 315 (d) and 315 (e). This is the view of the American Bankers' Association's special committee and of the F. D. I. C., which insures practically all these banks.

Under section 315 (d) the trustee is protected for action taken in reliance on proper certificates or opinions, or at the direction of the holders of not less than a majority in the principal amount of the outstanding bonds, and it is also protected for errors in judgment made in good faith after reasonable investigation.

Section 315 (e) protects the trustee against the risks of groundless lawsuits by irresponsible parties. Under this section such parties may be required to file an undertaking to pay the reasonable costs of the suit, including reasonable attorneys' fees.

Mr. President, in conclusion I wish to say that in the formulation of this legislation, not only by the Securities and Exchange Commission but by the Committee on Banking and Currency and by all those who have had anything to do with it, an effort has been made to accommodate the legislation to the necessities that required its introduction. In the formulation of the bill the Commission and the committee have had the advice and the cooperation of the American Bankers' Association through its trust committee, and although that committee did not unanimously agree that the bill was workable, and livable, and refrain from registering objection to it, a majority of the members of the trust committee of the American Bankers' Association have expressed their belief that the bill is workable and livable, and have stated that they have no opposition to it. In the hearings and in all the consultations we have had the invaluable advice and cooperation of those in the American Bankers' Association who have been charged by it with the duty of considering not only legislation of this type but the practices of bankers in dealing with trusteeships. While the American Bankers' Association did not initially sponsor the legislation, while they did not inaugurate the proceedings which have resulted in it, they are not opposed to it, and it is their official opinion, if I may say so, that the bill is workable and reasonable, and that they will not and do not oppose its enactment.

Mr. WAGNER. And livable.

Mr. BARKLEY. And livable. They use the word "livable." Any law that is livable in these days of complexity has something to be said in its favor.

We also have had the cooperation of the American Association of Savings Banks, representing the investor; and we have also consulted with the Investment Bankers' Association, although up to date the Investment Bankers' Association have not brought themselves to a position where they either agree to the bill or withdraw opposition to it. But, Mr. President, I can very well understand why there would be opposition to legislation of this sort among those whom it affects. There was opposition among the railroads to the passage of the act to regulate commerce in 1887. There was opposition among the great packing institutions to the passage of the stockyards law and the Meat Inspection Act more than a quarter of a century ago. There was opposition among many of the bankers of our country to the creation of the Federal Reserve System. It was a natural opposition, because many of those who deal in these matters have a conservative turn of mind based upon their conservative experience. But I dare say that among those who opposed the act to regulate commerce, those who opposed the Food and Drug Act, those who opposed the Meat Inspection Act, those who opposed the Stockyards Act, those who opposed the Federal Reserve Act, there would not be found today one who would be willing to take the responsibility of advocating the repeal or abrogation of these regulatory statutes.

It may be a source of regret that we have to indulge in legislation of this sort. It would be a happy situation if our economic and financial and moral conditions were such that all men recognized the legal and moral rights of every other man so that in real truth Jefferson's aphorism that "that government is best which governs least"—a sentence taken out of 12 volumes of letters and writings of the author of the Declaration of Independence—might be fulfilled.

But in the complexity with which we are surrounded, in the acute interchange among all our people of their economic and social and moral and financial relationships, we cannot hope to return to or attain such a degree of perfection among the people of the world that we can say it is not the duty of Government now and then to inject itself into the regulation of these matters which involve the welfare and the happiness and the prosperity of the people.

All we have tried to do in the pending bill is to protect the investor; and, after all, he is entitled to more consideration than he has been receiving. If I own a corporation and I want to borrow money and I issue bonds and distribute them among innocent persons scattered all over the Nation, certainly our Government owes a prime obligation to the innocent investors to surround them with all the protection that is wise and proper and possible within our jurisdictional limitations.

There is in the pending bill nothing that is unfair to any corporation which issues bonds. There is in it nothing that is unfair to any trustee who accepts responsibility under trust indentures. Going from one end of the bill to the other, there is the thread of granting adequate protection also to the third party to the transaction, who, after all, furnishes the money which enables the corporation to issue its bonds and continue in business; and that is the investor, the man or the woman who purchases bonds with money that he or she has earned in the sweat of the brow and by the exercise of wisdom in the accumulation and saving of earnings.

I am sorry to have consumed so much time in this general statement; but I felt that the importance of the subject warranted it. I shall now be satisfied to yield the floor; and if there are any other questions on the part of any Senator with respect to the provisions of the bill which I can answer, I shall be glad to do so.

TAX-EXEMPT SECURITIES

Mr. LEE obtained the floor.

Mr. HILL. Mr. President, will the Senator from Oklahoma yield to me?

Mr. LEE. I yield.

Mr. HILL. I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. TRUMAN in the chair). The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Donahey	King	Reynolds
Andrews	Downey	La Follette	Russell
Ashurst	Ellender	Lee	Schwartz
Austin	Frazier	Lodge	Schwellenbach
Bailey	George	Logan	Sheppard
Bankhead	Gerry	Lucas	Shipstead
Barbour	Gibson	Lundeen	Slattery
Barkley	Gillette	McCarran	Smith
Bilbo	Glass	McKellar	Taft
Bone	Green	McNary	Thomas, Okla.
Borah	Guffey	Maloney	Thomas, Utah
Bulow	Gurney	Miller	Tobey
Burke	Hale	Minton	Townsend
Byrd	Harrison	Murray	Truman
Byrnes	Hatch	Neely	Tydings
Capper	Hayden	Norris	Vandenberg
Caraway	Hill	Nye	Wagner
Chavez	Holman	O'Mahoney	Walsh
Clark, Idaho	Holt	Overton	Wheeler
Clark, Mo.	Hughes	Pepper	White
Connally	Johnson, Calif.	Pittman	Wiley
Danaher	Johnson, Colo.	Reed	

The PRESIDING OFFICER. Eighty-seven Senators having answered to their names, a quorum is present.

Mr. LEE. Mr. President, at this time, while we are considering legislation to provide for the regulation and sale of certain securities, I believe it is appropriate that we consider the termination of the issuance of tax-exempt bonds.

In my campaign I announced my opposition to tax-exempt bonds. My position was printed in my campaign literature,

and I denounced the special privilege of tax exemption from every platform in the State.

In my opinion, the mere fact that a person derives his income by clipping coupons from Government bonds is no reason for exempting that person from paying income taxes. The people themselves said so when they passed the sixteenth amendment, which authorized Congress "to lay and collect taxes on incomes, from whatever source derived."

But judicial interpretation has thwarted the will of the people by reading into that amendment tax immunity.

However, today we not only have a President who believes that Congress has authority "to lay and collect taxes on incomes from whatever source derived" but it is beginning to look as if we have a Supreme Court that might likewise agree with the simple language of the amendment.

On April 25, 1938, President Roosevelt sent a message to Congress asking for legislation that would put an end to tax exemption. When I heard that message read to the Senate I could scarcely refrain from shouting my approval. Other Presidents had spoken against tax exemption, but this President was going to do something about it. I now quote in part from that message:

> Whatever advantages this reciprocal immunity may have had in the early days of this Nation have long ago disappeared. Today it has created a vast reservoir of tax-exempt securities in the hands of the very persons who equitably should not be relieved of taxes on their incomes. * * *
>
> Both the States and the Nation are deprived of revenues which could be raised from those best able to supply them.

Later in the message the President said:

> Tax exemptions through the ownership of Government securities of many kinds—Federal, State, and local—have operated against the fair or effective collection of progressive surtaxes. Indeed, I think it is fair to say that these exemptions have violated the spirit of the tax law itself by actually giving a greater advantage to those with large incomes than to those with small incomes.

Then later the President said:

> I therefore recommend to the Congress that effective action be promptly taken to terminate these tax exemptions for the future. The legislation should confer the same powers on the States with respect to the taxation of Federal bonds hereafter issued as is granted to the Federal Government with respect to State and municipal bonds hereafter issued.

Mr. President, as stated at the outset, this was one of the planks in my platform, and, naturally, I am for it. Furthermore, I am convinced that the great majority of the people of Oklahoma are for it. But I regret to say that Mr. Phillips, the Governor of my State, favors tax-exempt bonds and has used his office as Governor to oppose any effort on the part of the Federal Government to tax the income derived from State and local bonds.

Not only did Governor Phillips send protests to the Oklahoma delegation by letter and telegram, but he also sent the attorney general of Oklahoma to Washington to appear before the special committee of the Senate in official protest against President Roosevelt's efforts to put an end to the special privilege of tax exemption. His statement appears on page 446 of the hearings before the Special Committee on Taxation of Governmental Securities and Salaries.

On March 31, 1939, I received a telegram of protest from Governor Phillips, and on the same day an article appeared in the Oklahoma City Times under the headline, "New Deal Tax Plan Hit by State Officials," in which the Governor was reported as vigorously opposing the efforts of the Federal Government to end tax exemption.

Mr. President, I ask permission to have printed in the RECORD at this point as a part of my remarks the telegram and the news item referred to.

The PRESIDING OFFICER. Is there objection?

There being no objection, the telegram and item were ordered to be printed in the RECORD, as follows:

OKLAHOMA CITY, OKLA., *March 31, 1939.*

Senator JOSH LEE,
Senate Office Building:

We hear in Oklahoma there is another threat to revive in the Senate the Federal taxation of State securities. My letter to you of January 16 was in hope that you would join in opposition to this move. I concur wholeheartedly in the letter sent by air mail today by Attorney General Williamson. Do not think he has made his letter strong enough. It affects every county in the State, every school district, and every city and town. It is vital now when we are attempting to fund the deficit caused by extravagant overspending and to generally lower the cost of government to the people. We hope you will join us to resist this in order to lower the cost of government.

LEON C. PHILLIPS,
Governor of Oklahoma.

[From the Oklahoma City Times of March 31, 1939]

NEW DEAL TAX PLAN HIT BY STATE OFFICIALS—PHILLIPS, WILLIAMSON JOIN IN CRITICISM OF GOVERNMENT LEVY

Governor Phillips and Mac Q. Williamson, attorney general, Friday sent protests to Oklahoma's United States Senators against predicted Federal taxation of State and local government incomes, and then joined in the hottest attack on New Deal policies to issue from the statehouse since President Roosevelt took office.

Phillips said a Federal levy on the revenues of cities, towns, school districts and States, which is now being contemplated in the United States Senate, would "wreck every county government in Oklahoma."

"If Oklahoma City has to pay a tax on its water and police revenues, that overthrows my idea of government," he continued.

POLITICAL REVOLUTION FORECAST

"Local self government will be gone, and regimentation started. It can lead to a political revolution—not with guns maybe—but a break-down of our theory of government."

Williamson, who sat in on the Governor's press conference, chimed in with the observation that such a Federal tax would lead "to the overthrow of any party sanctioning it."

The Governor and the attorney general both mentioned President Roosevelt directly, recalling his message to Congress "attacking tax-exempt bond buyers and holders."

CHANGED BOND PRICES SEEN

They pointed out that even the anticipation of a Federal tax on the income from State, city, and school-district bonds would render the bond market uneasy and make it difficult for the State to sell its new $18,000,000 deficit funding bond issue.

"It will change the price of those bonds if such legislation is talked of, let alone passed," the Governor said.

Williamson addressed letters to JOSH LEE and ELMER THOMAS, the two Senators, declaring it is "axiomatic" that the buyers of State and local government bonds will pass on the Federal tax to the people—by demanding a higher rate of interest on the bonds.

Phillips backed him up with telegrams to the Senators in which he said the attorney general had not made it strong enough.

NEW DEAL RAPPED

"It is vital now when we are attempting to fund the deficit caused by extravagant overspending, and generally to lower the cost of government to the people," the Governor said, "We hope you will join us to resist this in order to lower the cost of government."

Williamson, ordinarily cautious in his public statements, abandoned his mild manner in commenting on the United States Supreme Court's decision last Monday that Federal and State Governments can levy a tax on the incomes of each other's employees.

"The Supreme Court is adopting the theories of the New Deal bright young swivel-chair boys," he said. Asked if that was "on the record," he and the Governor chorused, "Yes, sir."

Both said that as far as the Supreme Court went in its decision, they weren't concerned with the levying of taxes on State employees.

"It is the trend that is significant," Williamson said.

"That is just sugar-coating to cover up the bitter bill," the Governor said. "If they can tax State employees 5 percent, they can tax them 50 percent. They can tax the Blackwell power plant, the Oklahoma City water-plant revenues."

Mr. LEE. Mr. President, I wish to repeat that I am not speaking for myself alone when I announce my own hearty approval of President Roosevelt's effort to end tax exemption, for I am confident that the people of my State are also with him in that effort.

Those who favor tax exemption would make it appear that if a person who derives his income from interest on State bonds is required to pay an income tax on that income just as any other person must pay, such a levy would be a tax upon the State itself. That is, of course, the old stock argument of those who benefit by such exemptions.

On that point, the quarrel is with the Supreme Court. I quote from its recent decision dealing with taxation of Government salaries, in which Justice Stone, speaking for the majority, said:

> The theory, which once won a qualified approval, that a tax on income is legally or economically a tax on its source, is no longer tenable.

Although that case decided the question of income tax with respect to salaries, yet the fundamental principle of taxation seems to apply with equal force to the question of taxing income derived from Government bonds.

I quote more fully from the opinion of Justice Stone on the point that taxation of income is not taxation on its source:

> The present tax is a nondiscriminatory tax on income applied to salaries at a specified rate. It is not in form or substance a tax upon the Home Owners' Loan Corporation or its property or income, nor is it paid by the Corporation or the Government from their funds. It is laid upon income which becomes the property of the taxpayer when received as compensation for his services; and the tax laid upon the privilege of receiving it is paid from his private funds and not from the funds of the Government, either directly or indirectly. The theory, which once won a qualified approval, that a tax on income is legally or economically a tax on its source, is no longer tenable.

This would seem to indicate that the Supreme Court is ready to interpret the sixteenth amendment to mean that Congress has power to lay and collect a tax on a person's income, even though it is derived from State and local bonds.

However, I believe that Congress should not wait for judicial interpretation to remove this tax inequity; but, in accordance with the President's request, I believe we should pass legislation with this purpose in view.

Mr. MILLER. Mr. President——

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Arkansas?

Mr. MILLER. Merely for the purpose of clarification, I should like to say that the Special Committee on Taxation of Governmental Securities and Salaries has, as the Senator knows, conducted rather extensive hearings on the economic questions as well as the legal questions which are involved. That committee has not as yet made a full report to the Senate. It will do so next week. The committee, however, reported to the Senate as to the legality, the right of the Congress to enact legislation taxing salaries. That report was made in advance of the Supreme Court decision. The committee has not determined whether or not, in its opinion, the Congress has a right to tax the income from bonds issued by States and municipalities, and, likewise, to give to States the reciprocal right to tax income from Government securities.

We have not reached a determination of the legal right of the Congress in that respect. Some Senators, members of the committee, are of the opinion that a constitutional amendment will be required in order to effectuate such a plan. Other Senators of probably equal ability are not of that opinion. I am advised that the committee will report to the Senate next week, and then it is the purpose of the committee to give to the Senate the benefit of its hearings and studies.

I wish to say to the Senator from Oklahoma that the Congress will have before it all the information which I believe is available on the question, both on the economic side of the question and its legal side. I agree with what the Senator has said. I am one of those who agree that we should not continue to provide storm cellars for the protection of any class of citizens; that all ought to bear their just proportion of the expenses of government.

Mr. LEE. I thank the Senator for that information and for his contribution to my statement. I wish to say in line with what the Senator has just stated that unless a bill originates in the House which has for its purpose removing the tax exemption on income derived from bonds, I shall join with other Members of this body in attaching such an amendment to the next revenue bill that comes over from the House.

Mr. President, in the United States today $50,000,000,000 are invested in tax-exempt bonds, some partially and some wholly exempt. Those who own these bonds are excused, according to the exemptions, from paying taxes on the income derived from them. Other people must bear the burden which the owners of these tax-exempt securities escape. Therefore, this extra burden of taxation is borne by those who are too poor to purchase bonds.

Tax exemption is a special privilege enjoyed only by the rich. The poor are not able to buy bonds and the middle class are not able to buy enough for the exemption privilege to benefit them. Therefore, only those with large incomes are able to salt away a strongbox full of these tax-exempt securities.

Furthermore, the larger the income the greater the benefit from tax exemption, because those whose incomes are in the upper brackets must otherwise pay heavy surtaxes. Hence, the exemption privilege means more to them than it does to those whose incomes are in the lower brackets where the taxes are not so high.

For example, a man with an income of $500,000 would realize more from a tax-exempt bond bearing 3 percent interest than he would from a taxable bond bearing 10 percent interest. In other words, the exemption privilege is worth more to him than 7 percent in interest; whereas, to a man with an income of $5,000, the exemption privilege is worth only two-tenths of 1 percent in interest.

Therefore, I repeat that tax exemption is a special privilege enjoyed by a special class.

If a person has an income from renting a building, practicing law, teaching school, running a store, or working in a shop, or any other occupation, he must pay income taxes both to the State and Federal Governments, but if he has an income derived from the interest on tax-exempt Government bonds, he is excused from paying taxes on that income, yet there are those who favor the continuation of this tax-exemption privilege.

If a married storekeeper living in Oklahoma has an income of $5,000, he must pay income taxes amounting to $146.22, but if his neighbor has an income of $5,000 from the interest on tax-exempt bonds, he is excused from paying any income taxes whatever on that income.

Then, again, if a married man living in Oklahoma, after paying property taxes and paving taxes, has an income of $10,000 derived from renting his own property, he must pay income taxes amounting to $737.85; but if his neighbor has an income of $10,000 derived from the interest on tax-exempt bonds, he is excused from paying any income taxes whatever on that income.

Then, again, if a married man living in Oklahoma has an income of $50,000 derived from the oil business, he would be required to pay income taxes amounting to $11,132.41; whereas if his neighbor has an income of $50,000 derived from tax-exempt Government bonds, he would be excused from paying any income taxes whatever on that income.

Then, again, if a poor farmer does not make enough to pay his property taxes, his farm is sold from under him; but if a rich man has an income of $1,000,000 derived from tax-exempt bonds, he is not required to pay one thin dime of taxes on that income.

Such favoritism is not only unfair and unjust, but it is economically unsound.

The Government is losing millions in revenue because of these tax exemptions. By taxing incomes which are now exempt, the Government will gain much more in revenues than it will lose on account of increased costs, but, of course, those who favor tax exemption argue that if you do not exempt the bonds from taxation, you must pay higher interest rates in order to sell them and that this increased cost offsets the gain in revenue.

But that is not true because only those with large incomes are able to purchase bonds, and these large incomes are subject to heavy surtaxes which would return much more in revenues than the additional interest would cost. Mr. Hanes, Assistant Secretary of the Treasury, reports that it would not be necessary to increase the interest rate more than one-half of 1 percent at the most and perhaps as low as one-fourth of 1 percent.

Therefore, I repeat, the Government loses much more in revenue than it gains in lower interest rates.

Of course, the savings in revenue would differ according to the tax laws of the different States, and also according

to the amount of the income of the purchaser, but let us take a specific example.

Suppose a school district in Oklahoma issues $1,000,000 worth of bonds bearing 3 percent interest, and suppose the entire issue is purchased by a man having an income of $500,000. If the bonds are tax exempt, the Government loses each year in income taxes $21,197.77; whereas, if the bonds were taxable, the increased cost in interest charges would average only $3,750 a year, according to the estimates of the Treasury Department. The difference between $21,197.77, which would be the loss in revenue if the bonds were tax exempt, and $3,750, which would be the increased cost if the bonds were not tax-exempt, is $17,447.77.

In other words, the net loss in revenue on that $1,000,000 issue of tax-exempt bonds is $17,447.77 each year. Then suppose these bonds were issued for 20 years. The total amount of net loss in revenue on that $1,000,000 issue of tax-exempt bonds would be $348,955.40.

For that amount many school bells could be kept ringing, and remember that figure represents the savings on only $1,000,000 worth of tax-exempt bonds; whereas, altogether there are $50,000,000,000 worth of tax-exempt bonds in the United States today.

We could do much for the school boys and girls with the revenue the Government is now losing on account of tax exemptions. In fact, President Roosevelt's entire humanitarian program is lagging for the want of revenue with which to carry it forward.

Mr. HUGHES. Mr. President, will the Senator yield?

Mr. LEE. I yield.

Mr. HUGHES. I understood the Senator to say that we were losing revenues which would be of help to the schools, and that schoolboys and schoolgirls are kept out of schools on account of that loss of revenue. Is the Senator speaking of the Government tax or the school tax or the State tax?

Mr. LEE. I am speaking of both. There are 25 States that do not tax their own local or State bonds, and they would benefit by the taxation and increase their own revenue. And then the Federal tax would apply to State and local bonds as well as Federal bonds.

Mr. HUGHES. Is it the Senator's idea that any of those States would tax their own school bonds?

Mr. LEE. Some States—in fact, nine States—do so today.

Mr. HUGHES. Tax school bonds?

Mr. LEE. Yes; tax their school and local bonds.

Mr. MILLER. Mr. President, will the Senator yield further?

The PRESIDING OFFICER (Mr. SCHWARTZ in the chair). Does the Senator from Oklahoma yield to the Senator from Arkansas?

Mr. LEE. I yield.

Mr. MILLER. In connection with the statement made by the Senator a while ago with reference to the attitude of the Governor of Oklahoma and others, the Governor of Arkansas has also taken the same attitude with reference to the taxation of governmental securities. I wonder if the Senator would mind putting in the RECORD as a part of his remarks the table appearing on page 625 of the hearings conducted by the Special Committee on Taxation of Governmental Securities and Salaries, which shows conclusively to my mind, and I think to the mind of any disinterested person, that the fears expressed by the Governors of the various States and by mayors of various cities of our country against the exercise of the reciprocal taxation right are not well founded. The table, apparently authentic, to my mind contains absolute proof that such fears are not well founded.

Mr. LEE. I shall be glad to include the table referred to as a part of my remarks, and I ask leave to have it printed in the RECORD immediately following my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit A.)

Mr. LEE. In conclusion, Mr. President, I spoke of the revenue which the Government is losing. That revenue applies to States as well as to the Federal Government, because 25 States exempt State and local bonds from taxation. As I have just pointed out, the loss in revenue is much greater than the additional cost represented by an increased interest charge. As pointed out, estimated, and reported by the Treasury Department, the increase in cost of financing would amount, at the most, to one-half of 1 percent interest; and it is estimated that perhaps it would not be necessary to increase the cost more than one-quarter of 1 percent. Those in the surtax income brackets are particularly interested, because surtaxes are applied to larger incomes, and only those with larger incomes are able to buy bonds to any great extent. Their incomes are pushed up into the surtax brackets, but, because of the tax-exemption feature, the State, and the Federal Government lose the income derived from such securities. If we had the income which the Government is now losing, we could carry forward much of the program which is now falling behind. So far the Federal Government has been unable to pay an adequate old-age annuity to the old people for want of revenue. We have not been able to pay the farmers parity payments for want of revenue; and yet those best able to pay taxes are not paying them because of tax exemptions. I am opposed to tax exemptions, because they constitute a special privilege to a special class; and a special privilege is undemocratic, un-American, and unfair. It is unfair to other Americans to grant to certain classes special privileges which others cannot enjoy because of low income. Therefore, I believe we should proceed at once to put an end to tax exemption, in order that we may increase the Government's revenues and at the same time distribute the burdens of taxation according to the ability to pay. Think of the inconsistency of turning unemployed people off the relief rolls with $50,000,000,000 of tax-exempt bonds in the United States.

EXHIBIT A

TABLE I.—*Comparison of the differential in yield between high-grade corporate and municipal bonds and the maximum rate of the Federal individual income tax, 1900–1938*

[Percent—annual averages for yields]

Year	High-grade corporate bonds [1]	Municipal bonds [2]	Differential	Maximum Federal individual income tax
1900	4.05	3.12	0.93	----------
1901	3.90	3.13	.77	----------
1902	3.86	3.20	.66	----------
1903	4.07	3.38	.69	----------
1904	4.03	3.45	.58	----------
1905	3.89	3.40	.49	----------
1906	3.99	3.57	.42	----------
1907	4.27	3.86	.41	----------
1908	4.22	3.93	.29	----------
1909	4.06	3.78	.28	----------
1910	4.16	3.97	.19	----------
1911	4.17	3.98	.19	----------
1912	4.21	4.02	.19	----------
1913	4.42	4.22	.20	7
1914	4.46	4.12	.34	7
1915	4.64	4.16	.48	7
1916	4.49	3.94	.55	15
1917	4.79	4.20	.50	67
1918	5.20	4.50	.70	77
1919	5.29	4.46	.83	73
1920	5.79	4.98	.81	73
1921	5.57	5.09	.48	73
1922	4.85	4.23	.62	58
1923	4.98	4.25	.73	58
1924	4.78	4.20	.58	46
1925	4.67	4.09	.58	25
1926	4.51	4.08	.43	25
1927	4.31	3.98	.33	25
1928	4.34	4.05	.29	25
1929	4.60	4.27	.33	24
1930	[3] 4.55	4.07	[3] .48	25
1931	4.58	4.01	.57	25
1932	5.01	4.65	.36	63
1933	4.49	4.71	−.22	63
1934	4.00	4.03	−.03	63
1935	3.60	3.41	.19	63
1936	3.24	3.07	.17	79
1937	3.26	3.10	.16	79
1938	3.19	2.91	.28	79

[1] Yields from 1900 through 1929 are those reported by Standard Statistics Co. for 15 high-grade railroad bonds. Yields from 1930 through 1938 are those reported by Moody's Investors Service for high-grade corporate (Aaa) bonds.

[2] Yields are as reported by Standard Statistics Co.

[3] Standard Statistics Co. index of yields of high-grade railroad bonds was 4.39 percent for 1930, and the differential based upon this index, 0.32 percent.

Source: Treasury Department, Division of Research and Statistics.

REGULATION OF TRUST INDENTURES, ETC.

The Senate resumed the consideration of the bill (S. 2065) to provide for the regulation of the sale of certain securities in interstate and foreign commerce and through the mails, and the regulation of the trust indentures under which the same are issued, and for other purposes.

Mr. TAFT obtained the floor.

Mr. AUSTIN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Donahey	King	Reynolds
Andrews	Downey	La Follette	Russell
Ashurst	Ellender	Lee	Schwartz
Austin	Frazier	Lodge	Schwellenbach
Bailey	George	Logan	Sheppard
Bankhead	Gerry	Lucas	Shipstead
Barbour	Gibson	Lundeen	Slattery
Barkley	Gillette	McCarran	Smith
Bilbo	Glass	McKellar	Taft
Bone	Green	McNary	Thomas, Okla.
Borah	Guffey	Maloney	Thomas, Utah
Bulow	Gurney	Miller	Tobey
Burke	Hale	Minton	Townsend
Byrd	Harrison	Murray	Truman
Byrnes	Hatch	Neely	Tydings
Capper	Hayden	Norris	Vandenberg
Caraway	Hill	Nye	Wagner
Chavez	Holman	O'Mahoney	Walsh
Clark, Idaho	Holt	Overton	Wheeler
Clark, Mo.	Hughes	Pepper	White
Connally	Johnson, Calif.	Pittman	Wiley
Danaher	Johnson, Colo.	Reed	

The PRESIDING OFFICER. Eighty-seven Senators having answered to their names, a quorum is present.

Mr. TAFT. Mr. President, I wish to speak briefly in opposition to Senate bill 2065, introduced by the Senator from Kentucky [Mr. BARKLEY], and providing for the regulation of trust indentures. The subject is a complicated one. There are 62 pages of language in the bill, which it is practically impossible to understand without almost a month's study; but in substance the bill regulates certain features of trust indentures and gives the Securities and Exchange Commission certain discretion to regulate other features of trust indentures. Trust indentures, of course, are the documents, the mortgages, in effect, which are made, usually by corporations, to secure the bonds which they issue. Bonds and notes may be issued without indentures, and such instruments would not be affected in any way by the bill.

The measure under consideration proposes that certain features of the indentures shall be strictly in accordance with the proposed act, and in four or five other respects it gives discretion to the S. E. C. to establish what shall be included. The bill makes a substantial extension in principle of any legislation now in existence regulating the sale of securities.

The existing S. E. C. Act is based on the theory of full disclosure. It provides that all facts relating to any security issue shall be filed with the Commission and shall be made perfectly apparent to anyone who wants to look at them. The trust indentures themselves must be filed with the Commission so that anybody before he buys securities may ascertain what is in the indentures and may then determine whether he wants to buy the securities. But this measure goes further. It provides what shall be in such trust indentures.

In many respects the provisions of the trust indentures guide and affect the whole provisions of the bonds themselves. In principle I can see no difference between regulating trust indentures and giving the S. E. C. power to regulate the rate of interest that may be placed in bonds or the length of the term or the call price or any other feature of the deal, for many of the indenture provisions are just as much features of the deal as is the rate of interest. In fact, it may be said that under the bill the S. E. C. can say to a corporation, "You cannot sell a 4-percent bond because we think, as a matter of fact, anybody who is willing to buy your bonds ought to get 5 percent." In other words, this is an extension beyond anything Congress has done along this line; it is a further extension of Government regulation of the sale of securities. I do not think this is a time when we ought to take that additional step; indeed, I doubt very much whether we ever ought to take it. I was strongly in favor of the original S. E. C. act and I believe that full disclosure is a principle to which we should adhere. I do not believe we ought to go beyond that point.

There is a theory that the investor cannot read a trust indenture. The Senator from Kentucky says that frequently it is hidden away in 200 pages. That is entirely true, and no investor is ever going to read a trust indenture, and no investor is ever going to read a registration statement filed with the Securities and Exchange Commission. Here [exhibiting] is a typical registration statement filed with relation to securities issued by the Gruen Watch Co., which I think probably contains approximately 150 pages.

The truth is that we cannot hope to secure such information for the buyer of every security that he will know exactly what he is purchasing. Any man who buys securities is bound to rely on the advice of someone else. There are experts who give such advice. They can examine the trust indentures and examine the registration statements, and there is nothing we can do that is ever going to protect an investor who gets a bad adviser. If he gets a bad adviser, he is likely to get a bad security.

The theory that we can protect a man against his own stupidity, that we can protect him against his unwillingness to look into the facts of the case, is, I think, untenable. It is beyond, certainly, the power of the Senate of the United States or the other House of Congress or anyone else to provide such protection. All we can do is to see that there is no fraud; that there is no concealment of facts; that there is no deliberate misrepresentation. We can make certain that the facts shall remain available; that those who desire the facts and want to act on them shall have the facts so that they may digest them or may get someone else to go through and digest them and give them advice.

I believe, therefore, Mr. President, that we should not take this additional step of undertaking to regulate private business transactions and say what shall be and what shall not be in a trust indenture, which is a contract between the bondholders and the trustee and the company that issues the bonds.

What does this bill mean in practical results? There is only one objection to the S. E. C., and that is that it has increased the expense and difficulty of issuing securities. In order to prevent fraud, I believe that is justified; but certainly there is no question that the expense involved in hiring lawyers to go through the Securities and Exchange Act, to prepare a registration statement of the kind I have indicated, to employ accountants, experts, and engineers to prepare the necessary certificate—involves a substantial additional outlay.

We had testimony before the committee that if any company wanted to issue less than a million dollars of securities it would hardly be worth the trouble and hardly worth the expense, and they had better raise the money in some other way. In the case of the issuance of securities representing over a million dollars, the expense becomes of rather minor importance compared to the amount involved; but there is that disadvantage even with the S. E. C. When it comes to an indenture, more expense is involved, for it is necessary to prepare an indenture, which is quite a task in itself; it is necessary to agree with the attorney of the trustee; to agree with the attorney of the underwriter; and then to come to Washington and sit down with an attorney from the S. E. C., go over with him a 200-page document, and spend probably a week in Washington talking to some young attorney of the S. E. C. I think the S. E. C. will probably have to add 10 or a dozen attorneys to its staff just to handle this kind of work. That means more delay, more expense, and more discretion in the Securities and Exchange Commission. I do not believe the importance of the subject justifies such an additional burden on the ordinary sale of securities, and the attempt to develop more business.

Mr. LODGE. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Ohio yield to the Senator from Massachusetts?

Mr. TAFT. Certainly.

Mr. LODGE. Is it also true that the bill will tend to centralize in New York City the business of trust indentures?

Mr. TAFT. I think it is. I shall come to that subject a little later, if the Senator is willing to wait for a moment.

Of course, I am not particularly concerned with the trustees. A trustee is able to look after himself. It is true that he has inserted in a number of trust indentures provisions protecting himself against liability and making the trustee in a way a kind of clerical representative of the bondholders. I am concerned, however, with the persons who are trying to sell securities in the United States. After all, these are all three-cornered deals. Every time a trust indenture is executed we have the company that wants to borrow the money, we have an underwriter or an investment banker, and then, as a third party, we have a trustee. This bill is directed altogether at the provisions of the trust indenture that govern the trustee. I think a good many of the clauses of trust indentures could well be improved; but I do not believe the importance of the subject justifies the additional burden on the man who wants to borrow money, the additional burden on the free sale of securities at a time when we should be encouraging the investment of money in private enterprise. The only way in which we shall ever get back to a normal condition of prosperity is to try to get people to put their money into corporate securities in a way which will gradually lead to building up business and gradually bring about more employment.

The Senator from Kentucky did not exactly say, I think, that the pending bill was sponsored by the American Bankers' Association, but he implied that that association almost sponsored it. In the first place, the American Bankers' Association represents the trustees, and I have not very much concern as to what may happen to the trustees; but, as a matter of fact, I should like to read the statement of the representative of the American Bankers' Association when he appeared before our committee in support of this bill. Mr. Page testified as follows:

> As I stated in my testimony on the bill in the previous session of Congress, trust institutions do not welcome Federal regulatory legislation of this type. The American Bankers' Association does not believe that the bill is necessary. It would have preferred to continue its efforts to bring about a satisfactory system of voluntary control, similar to that now in use in connection with personal trusts, and throughout the committee's discussion of the subject I have so indicated to the Securities and Exchange Commission. In substance, the American Bankers' Association does not desire to appear to favor nor to oppose the passage of the bill.

What happened was that a very much more drastic bill on the subject was introduced several years ago, a bill so drastic that the trustees felt that no trustee could ever accept a corporate trust if its provisions went into effect. So they went to the Securities and Exchange Commission and said, "Let us help ameliorate this bill," and they did so, on condition that if their views were reasonably met they would not oppose the passage of the bill. As a matter of fact, every banker who appeared before us, with the exception of Mr. Page, I think, opposed the bill very strenuously, and particularly all the bankers from the smaller cities of the country, because they all felt that the provisions which required complete divorcement of the trustee from any connection with the company in any way would prevent banks in the smaller cities from ever acting as trustee, and therefore the bill would drive these trusts to the big institutions in New York. At this point I answer the question of the Senator from Massachusetts [Mr. LODGE] by saying "yes"; the opinion of all the bankers who appeared before us was that the passage of this bill would seriously handicap the smaller banks in the smaller cities, and would force this trust business to New York; and, strangely enough, the only bankers who were willing to accept the bill were bankers from some of the large banking institutions of the city of New York.

As a matter of fact, I do not believe anybody is sponsoring or really urging the enactment of this bill today. If so, I do not know who it is. The bill comes, of course, from the Securities and Exchange Commission. It was gotten up 2 or 3 years ago; and I venture to say that today the Commission itself has largely lost interest in the passage of the bill.

Mr. KING. Mr. President, will the Senator yield?

Mr. TAFT. Surely.

Mr. KING. In reading the record—I do not recall the page—when I hastily examined it yesterday, I found two references to the Securities and Exchange Commission as urging the passage of the bill. The word "urge" was used by the person who testified, and who, as I recall, spoke for the Securities and Exchange Commission. So the Securities and Exchange Commission, not the people, is urging the enactment of the bill. The Commission wants to increase its power, its authority, and its jurisdiction.

Mr. TAFT. I do not know anybody in the country who is interested in the passage of the bill except the Securities and Exchange Commission. Mr. Douglas was the original sponsor of the bill, but apparently he has lost interest in it. The Senator from North Dakota [Mr. FRAZIER] the other day referred to an interview of Mr. Douglas by Arthur Krock. The article says:

> In Mr. Douglas' opinion the activities of the S. E. C. have reached their practical peak. He thinks its scope is now as wide and deep as it effectively can be.

If that is not a condemnation of this bill by Mr. Douglas, I do not know what it can be.

Mr. BARKLEY. Mr. President, will the Senator yield at that point?

Mr. TAFT. Surely.

Mr. BARKLEY. I happen to know that Mr. Douglas not only has not withdrawn his endorsement of this bill or changed his position with regard to it, but that in the last communication he made before retiring from the position of Chairman of the S. E. C., among three recommendations that he made was one for the passage of this particular legislation.

Mr. TAFT. I read further from the article of Mr. Krock:

> The Chairman went on to say he thought that at some later time an eminent drafting committee—

Should revise the law—

> But the quest for recovery is affected now by any tampering with laws in the category of these two acts, he said, and revisions can well await a more propitious time.

I do not know whether or not Mr. Douglas is still for the bill, but I do know that if he is his position is absolutely inconsistent with the statement he made to Mr. Krock, because he knows this is not a time at which to impose additional restrictions on business.

Other gentlemen have taken the same position. Mr T. Jefferson Coolidge, former Assistant Secretary of the Treasury in this administration, wrote a letter to the committee, in which he said:

> This bill therefore will, in our judgment, accomplish little public good, will increase the difficulty and expense of obtaining funds for expanding business, and in many cases will make it impossible to obtain necessary funds on reasonable terms, to the special disadvantage of small concerns lacking well-established individual credit. We believe the disadvantages will far outweigh any possible advantages.
>
> Certain sections of the bill will have a tendency to drive local business away from the local centers, where it has its home, and force it into the metropolitan centers, where is will not receive, in our opinion, as understanding treatment.

Furthermore, the opinion of the Federal Reserve Board was asked. I cannot find that the Board itself ever took any action, but the Board did transmit this letter from its Federal Advisory Council:

> The Federal Advisory Council desires to call the attention of the Board of Governors of the Federal Reserve System to Senate bill 477 relating to the regulation of trust indentures under which securities are issued.
>
> The Council feels strongly that the imposition of some of the liabilities as provided in the bill would create contingent liabilities for banks of deposit accepting corporate trusteeships which might be dangerous to themselves and the banking system as a whole.

In other words, they say this bill imposes on corporate trustees such a heavy burden that it might well endanger

their deposits, and after all, we have an interest in protecting the depositors and the stockholders of corporate trustees.

Furthermore, the Council believes that the bill would materially increase the cost of and make more difficult long-term public financing, particularly to smaller corporations, and would thus tend to hinder expansion of plants and businesses at a time when such expansion is particularly desirable in the interest of business recovery.

* * * * * * *

The Council requests the Board to submit this expression of its opinion to the Senate Committee on Banking and Currency with the request that it be put in the record of the hearings before its subcommittee considering the bill.

One Commissioner, Mr. Eicher, appeared before our committee in favor of the bill. He took no further tremendous interest in it and so far as I can see the Commission itself has in effect lost interest in pushing further the provisions of this trust indenture bill, and has left its entire charge to some of the subordinate attorneys of the Commission.

I think something can be done along this line. I think, in the first place, the Commission has never tried to write a sample or model trust indenture. If it does, the model will be very largely followed. Writing a trust indenture is a pretty mechanical thing. I think most attorneys would be more than glad to receive the Commission's suggestions.

I call attention to an article in the Yale Law Review of February 1939, by Talcott M. Banks, Jr., in which he suggests such a course:

If the Commission should render its resources of experience and expert personnel available for a study of the modern indenture, with a view to perfecting its form and improving its protective features, such work would receive most interested cooperation and would have profound influence. No one is satisfied with the usual indenture of the present day. Its abbreviation and clarification is earnestly to be desired. Lawyers and businessmen alike would welcome the appearance of simple, standard clauses adapted to achieve the various indenture purposes. If the Commission were to recommend such provisions, framed after careful study and consultation, the authority of its recommendation would assure that the suggestions would be considered by every draftsman, and, so far as they proved valuable, widely adopted. Here is a way in which the unique resources of a Federal agency could be of great assistance, without any of the risks of concentrated authority or unwise regulation.

Mr. President, I do not desire to go through the bill, but on page 5 I find this language:

Abuses of the character above enumerated have been so widespread that, unless regulated, the public offering of notes, bonds * * * by the use of means and instruments of transportation * * * is injurious to the capital markets * * * and to the general public.

There have been some abuses. Frankly, it seemed to me there was a complete absence of proof that any of the losses which occurred in 1929 had really resulted from any of the properly criticised provisions of the trust indentures. I would say that 99 percent of the losses resulted because the company failed, because the company was not good, because it could not pay its debts, and not because of anything done by the corporate trustee. I have seen a good many corporate indentures, and, personally, I never regarded the position of trustee as particularly important. Until a default occurs there is very little the trustee can do. When default occurs, the matter is almost inevitably thrown into court, and the whole thing is left up to the court. There is a good deal more abuse in the formation of the bondholders' protective committees, of which I think there might well be a study, and legislation to deal with them, than in any action of the corporate trustees. Furthermore, there is always a recourse against a corporate trustee, if he does something wrong, and the position of a trustee is such that he is not anxious to assume any responsibility if he can help it.

There is one provision in the bill to which I shall call attention only as being typical. I refer to the provision which deals with conflicting interests. There is a provision beginning on page 23 and running for about 10 pages, that a trustee shall resign whenever his interest as trustee in any way conflicts with any other interest. It seems to me that any trustee who assumed to act when he has a substantial conflicting interest certainly subjects himself to a suit for damages, which the courts will properly enforce. But there is set up in these pages a long, artificial attempt to say when an interest is in conflict and when it is not. Think of this. A trustee must resign if he is "the beneficial owner of, or holds as collateral security for, an obligation which is in default as hereinafter defined, (A) 5 percent or more of the voting securities of an obligor"; that is, of the company which issues the bonds. That means that if a trustee bank had a loan out to Mr. X and Mr. X had put up 5 percent of the stock of an obligor company, and that loan should be 30 days overdue—which would be a default—if for some reason after 30 days Mr. X did not pay the loan, the trustee would be defined by law to have a conflicting interest; and if he proceeded and acted, and happened to overlook the matter, he would subject himself to complete liability, although he was not at all affected by the conflict in interest; or he might have completely to resign the trust, and find someone in another city, probably, to take on the trust.

Mr. BARKLEY. Mr. President——

Mr. TAFT. I wish Senators would read the provisions from page 23 to page 30 with relation to the attempt to say when a trustee has a conflicting interest which shall disqualify him, and when he has not. I yield to the Senator from Kentucky.

Mr. BARKLEY. The Senator realizes that there is nothing new in legislation prohibiting conflicting interests of those acting in a fiduciary capacity. In the National Bank Act of 1933 there is a provision by which affiliations on the part of bankers or officers of banks with underwriters are to a great extent prohibited. The New York Stock Exchange will not accept as trustee for a listed bond issue a bank which is trustee under other indentures of the same obligor.

Mr. TAFT. Whenever there is any substance, I would entirely agree, for, as a matter of fact, a bank which takes on a conflicting interest subjects itself to liability to the bondholders. It cannot afford to do it. But the question is one of substance, and it seems to me the courts would finally decide that question. I do not think we can sit here and say that ownership of 5 percent of the stock of a company which is in default on an obligation would create a conflict of interest, whereas there would not be such a conflict in case of ownership of 4 percent. What sense is there in any such provision of law?

Mr. BARKLEY. I am sure the Senator does not advocate that he, as a trustee under an indenture providing for the issue of bonds of a given obligor, ought to be in a position to have a conflicting interest, whether it were substantial or otherwise—and of course it has to be substantial to be of any importance. He ought not to be in the embarrassing position of having to decide, as a trustee, between, for instance, a prior or a junior set of obligations of the same obligor. He ought not to be in a position where he would have to decide as between different issues of bonds, or different relationships, or different interests, so that there might be any inducement for him to favor one as against the other, or relax in any way in the performance of his duty to one because he is interested in another which would be conflicting.

I am sure the Senator would not justify such a situation. He may not think that any of these matters are substantial, that they contain substance, and that is a matter of opinion; but where there is an important conflict—and the bill undertakes to set out the conditions under which there are conflicts—certainly no trustee ought to be put in the position, embarrassing as it might be, where it might in any way advance or promote his selfish interest or the selfish interest of one security as against another, because he occupies a dual situation with respect to these obligations.

Mr. TAFT. I would say that any trustee who finds himself with a conflicting interest should resign. I would say that it is absolutely impossible for us to provide by legislation when he has a conflicting interest and when he has not a conflicting interest. He acts at his peril. If he refuses to resign when there is a conflicting interest, he takes a chance. But I cannot understand the basis on which 5

percent or 10 percent of the stock of a company makes a difference, and some other figure does not.

Mr. BARKLEY. The Senator then relies on the moral sensibility of the trustee to resign when he ought to resign?

Mr. TAFT. I rely on the trust law, which provides that a trustee who acts and is influenced by conflicting interests is liable to those against whom his act may operate injuriously.

Mr. BARKLEY. People who suffer loss because of that dual relationship ought not to be compelled to go into court in order to enforce their rights against the trustee. He may have acted in an unprofessional or an unethical way by retaining the trusteeship.

Mr. TAFT. If the Senator wishes to relieve everyone who is wronged from the necessity of going to court, then he might as well advocate the repeal of all the laws and the handing of administration over to some administrative officer. All we can do is to provide a legal remedy for people if they are wronged.

Mr. BARKLEY. We are seeking to provide such a condition that it will not be necessary to resort to the legal remedy when it may be too late to take advantage of the remedy.

Mr. WHEELER. Mr. President, will the Senator from Ohio yield?

Mr. TAFT. I yield.

Mr. WHEELER. I shall later call the attention of the Senator to some evidence adduced before the Senate Committee on Interstate Commerce with reference to one of the most important trust companies in the United States, located in the city of New York. They found themselves in a conflicting position, representing on the one hand the bondholders, and representing on the other hand the stockholders, also representing their own institution as a lender to one of the big holding companies of this country. As I shall point out, even some of the most prominent law firms of the city of New York said theirs was an untenable position. They did not intend to put themselves in that position. Some may think they did, but I do not believe they intended to. But they found themselves in that situation, and they still are in that situation, and some litigation has been started in St. Louis as a result. But they never should have been permitted to be in that position in the first instance. They were not only in the position with reference to the lending of money, but they were also in the position with reference to stock which was sold, representing the bondholders.

Mr. TAFT. I do not contend that there may not be abuses in the situation, but I do contend that there are remedies already provided, that we do not need to add to the authority of the Securities and Exchange Commission in order to deal with the evil. As a matter of fact, when we started consideration of the subject, it seemed to me that we should draw a very simple bill prohibiting about three things; that we might reasonably take care of those cases without giving any additional authority to the Securities and Exchange Commission. I must say the bill was modified to some extent; but I think there are still left in it four important matters in which discretion is left to the Securities and Exchange Commission to decide what shall go into an indenture and what shall not. That seems to me to be an addition to power. The advantage of a short bill, merely providing that certain things shall go into an indenture, would be that one would not have to come to Washington and spend a week trying to work the indenture out with the Commission.

Mr. HUGHES. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. HUGHES. I feel quite sure that the Senator recalls that in the hearings before the subcommittee we were told that a great many trustees had recognized the necessity of complying with the requirements of the bill, and had changed their practice. One witness said it therefore was not necessary to enact the legislation because the evil had been remedied.

Mr. TAFT. No; I do not think that was the testimony. The testimony was that some trust indentures had followed this measure in all respects, I think, except the clause with regard to negligence, to which they objected, as I remember. I think it is quite true that most trustees would follow the suggestions of the Securities and Exchange Commission. My principal objection to the bill is the necessity for the applicants to come to Washington and to submit the whole deal to the Securities and Exchange Commission and to get its approval of the deal.

Mr. HUGHES. As I recall, the Senator from Ohio made an objection in the subcommittee, and he probably has the same objection now, to the expense involved in the applicants coming to Washington. I understand that the bill, in its present form, provides that the applicant shall come to Washington when he makes his application, but it is not necessary to come here a second time when the bond issue is made. What is necessary to be done by the applicant can all be done at one time.

Mr. TAFT. I think the applicant would have to come to Washington first with respect to the trust indenture and get that settled before he finally comes to the matter of the securities themselves. I do not think the applicant is going to be saved an additional trip. I think he is going to have to spend additional time in working out the trust indenture even as the bill is today, which is an improvement over what it was when consideration of it was begun.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BARKLEY. It probably would be necessary for the Commission to pass on the qualification of the indenture, which means that it would have to comply with the law before the other step was taken. But both applications can be filed simultaneously, unless the indenture is found not to be in compliance with the law. That is all the Commission has the power to do. The Commission does not dictate the terms of the indenture.

Mr. TAFT. Oh, yes; it does. The Commission passes on three or four features, including the negligence clause.

Mr. BARKLEY. There are three questions as to which the Commission has some discretion. One is with reference to notice concerning defaults. Two of them have relation to notice before and after default, and the other has relationship to the authority of the Commission to pass on the type of expert accountants, certification, and things of that sort. Those are the only three matters of discretion that are still left in the Commission under the bill.

Mr. TAFT. That is correct. But that is discretion, and that is enough discretion so that the only way an indenture can be approved is by the applicant coming to Washington, employing additional lawyers, and sitting down with the attorneys of the Commission to work it out. I may say once more in reference to the conflict of interest that I think the particular provisions of the bill regarding conflict of interest are so tight and so arbitrary that a large number of banks in small cities could not conform to them and act as trustees in any trust indentures for companies within those cities. That is the testimony of the bankers, and that is a necessary result. That is one reason for the statement on the part of Mr. Coolidge and others that the bill is going to force the trusts into the New York banks because the local company evidently will find that the local bank is disqualified to handle the trusteeship of its indentures.

Mr. HUGHES. As I understand—and does not the Senator also so understand—an issue of a million dollars does not come under the provisions of the bill?

Mr. TAFT. That is correct; an issue of a million dollars does not come under the provisions of the bill.

Mr. HUGHES. Small communities, the local communities of which the Senator speaks, would not have many issues of more than a million dollars, I take it.

Mr. TAFT. The Senator may be surprised to learn that they do. In the city of Cincinnati, from which I come, the issues are very often in excess of a million dollars. The most strenuous opponents to the measure were gentlemen from Boston and some from Cincinnati and Cleveland, cities of intermediate size, where there are issues of considerably more than a million dollars.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. LODGE. I know that in Boston there are issues of more than a million dollars, and if this business is forced away from Boston it will mean not only a loss of the business but it will have a generally depressing effect.

Mr. HUGHES. As I recall, more than 70 percent of the business was done in Chicago and New York, and it is now. I did not class the Senator's city of Boston as one of the small cities.

Mr. TAFT. Too much of it is done in New York now. The passage of the bill would put it all in New York.

Mr. BARKLEY. I do not agree at all to the suggestion that the bill is going to drive business out of any place into some other place. Eighty-five percent of all this business now is done in New York and Chicago, and 95 percent of it is done in New York, Chicago, and seven other cities—Boston, Cleveland, Milwaukee, Philadelphia, Pittsburgh, St. Louis, and San Francisco.

So, those nine cities already do 95 percent of all the trust indenture bond business of the United States. There is nothing in the bill which will drive any business from Boston to New York or away from Chicago to New York, or away from San Francisco either to Chicago or New York, or away from one city into another city.

Mr. TAFT. That is what Mr. T. Jefferson Coolidge says would happen, and I think he is a banker who knows more about the business than even the Senator from Kentucky.

Mr. BARKLEY. I know Mr. Coolidge, and I admire his ability; but I do not accept dogmatically a statement made by any person to the effect that a measure of this character is going to run business out of one city and into another. Certainly 85 percent of it has been run by something or other out of other places into the city of New York and the city of Chicago. Certainly they have facilities for financing bond issues that are more satisfactory to the industries of the country that desire to issue bonds than exist elsewhere.

Mr. LODGE. Is it not reasonable for us to want to keep the little we have?

Mr. BARKLEY. Certainly it is, and even to get more than you have. I am not at all opposed to that. I am very fond of the city of Boston, but I cannot conceive of any provision of the bill that would take away from Boston a bond issue that some Boston concern desired to float on the market.

It is said that the bill may result in increased cost. I doubt that, because of the provision that simultaneous applications can be filed as to the disclosures and the qualifications of the indenture. Conceivably a second trip to Washington might be required; but I do not know; that is problematical. However, so far as the extra cost is concerned, if there should be any, it would apply just as much to a New York or a Chicago application as it would to one from Boston, Pittsburgh, Philadelphia, St. Louis, or San Francisco.

Mr. TAFT. Mr. President, I do not want to take the time of the Senate except to summarize my feeling about the bill. It is not a tremendously important bill. It does not extend the power of the Government indefinitely into great new fields. But it does extend the principle of present Government regulations in a small field. It does abandon, apparently, the theory that what we are interested in is giving the security holders of the United States the opportunity of finding out the facts. We are going beyond that now. We are saying that people shall not make the deals they want to make. We are saying that the Securities and Exchange Commission shall step in and tell people what their deals shall be. We are imposing an additional expense, which means that it is going to be just that much more difficult to finance new enterprises.

Mr. President, it seems to me our present condition is due in part to the psychological fear of putting money into any new enterprise lest it may be lost. That is due to the fact that people are afraid of Government regulation and of additional taxation. I do not know how we are ever going to bring about recovery in this country unless we get people into such a state of mind that they will feel again that they can put money into American enterprises, into new enterprises, large and small, into stocks and bonds and securities of companies, and thus provide new capital, develop new machinery, and put more men to work. I have no question that the reaction throughout the country to the passage of the bill is going to be an additional discouragement.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BARKLEY. The thing that will encourage the men with money to put their money in bonds and stocks is the belief that they are going to get it back.

Mr. TAFT. With due respect to the Senator from Kentucky, I think that that is absolutely untrue. I do not think that there is an investor who will invest in one single bond merely because the bill is passed; and who would not have invested in it anyway. I do not think there is any fear of substantial bond issues in this country.

Mr. BARKLEY. That is all speculative. But the Senator, I am sure, would not contend that the fact that we are trying more adequately to protect the man who puts his money into bonds will result in retarding his desire to put his money into bonds. Certainly, if he feels that all possible protection is thrown around him in the exercise of his right, it is not going to keep him from putting his money in bonds. Whether it will induce him to put his money in bonds is another question, which may be speculative and debatable, but certainly it is not going to discourage him.

Mr. TAFT. It is going to discourage industry from going ahead and trying to expand. It is going to discourage industry from putting out more bond issues, just as the Securities and Exchange Commission Act has. In that case I think it is worth the money. I think we must prevent fraud. But this is going further. I do not think it is necessary.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. AUSTIN. I observe that the Senator is touching upon the very point which had occurred to me, and about which there did not seem to be much discussion. I wish to ask the Senator whether or not the consideration by the committee involved the idea that the investor is not the starter. It is not the buyer who is the starter of the Securities and Exchange Commission and its activities. It is management. The management of business starts the Securities and Exchange Commission into action. Therefore, what I should like to know is whether or not the investigation by the committee went into the subject of the possible effect of additional control by the Government upon the activities of management, as bearing upon the question whether or not we shall have new money poured into industry by reason of adding more Government control than we already have.

Mr. TAFT. Answering the Senator, I do not think I could do better than to quote again the opinion of the Federal Advisory Council of the Federal Reserve Board, which is made up of one man from each district in the United States. The Council says:

> The Council believes that this bill would materially increase the cost of and make more difficult long-term public financing, particularly to smaller corporations, and would thus tend to hinder expansion of plants and businesses at a time when such expansion is particularly desirable in the interest of business recovery.

I do not put my opinion above theirs, and I put their opinion above that of any of the Senators who have discussed the bill, with all due respect to the Senators.

Mr. BARKLEY. Mr. President, will the Senator further yield?

Mr. TAFT. I yield.

Mr. BARKLEY. I do not wish to prolong the colloquy; but I think all of us will agree that when a corporation starts to issue bonds and borrow money, that operation, of course, depends upon the success with which it can borrow money from the public in order that its enterprise may go forward with the borrowed money and additional capital which is brought to its service. In the six hundred and more trust

indentures which were examined by the S. E. C. the overwhelming and predominating defect was a lack of protection to the investor.

If I am the owner or the head of a corporation, I have no right to appeal to thousands of citizens scattered all over the country to lend me money—not my money but their money—in order to carry on my industry unless I am willing to give them the maximum amount of protection which would induce them to invest their money in my bonds, and to assure them that they are protected in the event they have to assert their rights.

I will say to the Senator from Vermont [Mr. AUSTIN] that there is nothing in the bill which attempts to control management. There is nothing in the bill which authorizes the Commission to pass upon the desirability of the loan, the merits of the loan, the rate of interest, the sinking-fund requirements, the terms of payment, amortization, or anything connected with the business. The bill provides only that before the corporation issues bonds as an inducement to gather to itself the money of thousands of persons scattered all over the country the indenture upon which the bonds are issued shall contain certain protective features in the interest of the investor, the lender of the money, who certainly has a right to be protected in his desire to advance to corporations the money which will enable them to expand or to operate.

Mr. AUSTIN. Mr. President, will the Senator from Ohio permit me to ask the Senator from Kentucky a question?

Mr. TAFT. I yield.

Mr. AUSTIN. The author of the bill has just made a statement which seems to be to be of great importance if it is accurate. I am not very familiar with the bill. I have read it over but have not made a study of it. However, I gathered the impression that management was very strenuously controlled by the pages which quite strictly define the disqualifications of trustees. That is to say, it appeared from a reading of the bill that it restricts the freedom of management in selecting and keeping a trustee in which the management has confidence or a trustee with which suitable arrangements adapted to the locality can be made. It happens that I have had some practice in the issue of such indentures, and I can conceive that the bill, if passed, might deter me or entirely stop me from putting out a refunding issue of bonds partly on account of the control which the bill would immediately impose upon me in the selection of my trustee.

Mr. BARKLEY. Mr. President, I do not regard the selection of a trustee to be the trustee of obligees or bondholders as a part of the management of the business, because if one trustee who might be desirable is disqualified under any of the provisions of the bill which set out disqualifications, of course, it does not follow that it is impossible to select a trustee who does qualify. The mere selection of a trustee has no influence at all on the management of the business, except remotely, in case the corporation gets into trouble.

Mr. AUSTIN. Oh, before that.

Mr. BARKLEY. In case the corporation gets into trouble, the trustee may have an obligation to keep a little more in touch with the current course of the corporation's business, so as to know to what extent the rights of investors are protected both before and after default. However, so far as concerns the management of the business, fixing the rate of interest, the terms of payment, the amortization, or passing upon the desirability or necessity of the loan itself, the bill gives the Commission no authority whatever.

Mr. AUSTIN. Does the Senator recognize that in nearly all indentures issued by factories, quarry companies, or companies engaged in active production of any kind, there is a control of the management of the business throughout the indenture? For example, development is limited to a certain ratio between liquid assets and cost of development; and throughout the life of the indenture there must be an active, and in some instances a very intimate, relationship between the trustee and the management. So, at the outset, management is interested in the selection of the trustee.

Mr. BARKLEY. Of course I can understand that; and there ought to be a close connection—even closer than has heretofore existed in many cases—between the trustee and the operation of the concern, because that relationship may very vitally affect the interests of the bondholders for whom the trustee is acting, and their ability to assert their rights in a given set of circumstances.

For example, if a bond issue is being floated, and a trustee is appointed to represent the whole situation, of course those who have put their money into the bonds of the company cannot be ignored. If later something occurs in the management of the business, or in the dissipation of its assets, or in the issue of additional bonds of some other sort, which would affect the interests of the prior obligees who are represented by the particular trustee, there ought to be a way in which they could have some voice, and some knowledge of the situation, because in a real sense the bondholders, those who have put their money into the bonds of the company, are certainly entitled to equal rights with those who have simply bought stock and put their money into the company in another form.

All the bill does is to tighten up on the obligations of the trustee, and compel him to keep more closely in touch with the operations of the company, to see that the terms of the indenture are complied with. If that obligation involves management in some way, or if it impinges upon what might technically be called management, it is only necessary because of the right of those who have invested their money to be protected all along the line.

Mr. TAFT. Mr. President, I should like to make one point in connection with the discussion. The Senator said that bondholders have always been accustomed to look to the trustees. The truth is that bondholders have not been accustomed to look to the trustees. If the Senator has any bonds of his own, or if he has any clients who have bonds, I venture to say that he does not know, and none of his clients knows, who are the trustees on those bonds. No; the truth is not that they look to the trustees.

Mr. BARKLEY. I did not make that statement.

Mr. TAFT. The Senator made that statement earlier in the day.

Mr. BARKLEY. In many cases the bondholders does look to the trustee if he happens to know the trustee. If the trustee is an outstanding institution whose reputation for soundness and integrity is known all over the country, that fact undoubtedly has an effect upon the willingness of the investor to buy the bonds of the concern which is issuing them.

Mr. TAFT. I question the accuracy of that statement. I question whether any investor knows who is the trustee on a bond issue. Not only that; the fact is that 99 percent of the bondholder's safety depends not on the trustee, but on the solvency of the obligor, and the way in which the obligor is managed. The bondholder looks to the obligor. If the obligor remains solvent and earns money, the bondholder will get back his money; and if it fails, he probably will not get back his money.

The only reason why I do not feel strongly on the subject of the bill is that I do not think its importance is sufficient to justify taking the afternoon to discuss the question. The truth is that nobody looks to the trustee. The trustee's position makes very little difference in the ultimate result. The only thing I object to is that the bill imposes additional machinery, making it more difficult for anyone to float a bond issue. It discourages financing. It discourages putting money into capital. I believe that today the people of the country, from the President down, are anxious to convince the businessman that the Government wants to help him, and not to hamper him; that it wants to reduce regulation and taxation, and wants to encourage him to go ahead and put back to work some of the 11,000,000 unemployed.

Mr. WHEELER obtained the floor.

Mr. LODGE. Mr. President, will the Senator from Ohio yield?

Mr. TAFT. I have concluded.

Mr. LODGE. I desire to ask the Senator from Ohio a brief question. Will the Senator from Montana permit me to ask a question?

Mr. WHEELER. I will if it will not take too long.

Mr. LODGE. It will not take long at all. I merely wish to recur once more to the question of taking business away from other cities and putting it into New York.

Mr. WHEELER. I fear it will take a long time to answer that.

Mr. LODGE. It will not take long to answer the question I desire to ask; I wish to get it in for the RECORD. I wish to say that, in my opinion, there is no one better qualified to express an opinion on a matter of that kind than is Mr. T. Jefferson Coolidge, and I wish to know if any evidence was put into the record to controvert his opinion?

Mr. TAFT. Mr. President, frankly, I do not remember that there was any such evidence; I should not like to say now, after some 2 or 3 months since the hearings were held, that I positively remember; but I do not recall that any evidence was offered in opposition to the claim of a considerable number of bankers that local business would tend to be shifted to New York because of the restrictions on trustees which are provided by the pending bill.

Mr. LODGE. I thank the Senator for his answer, and also thank the Senator from Montana for yielding.

Mr. WHEELER. Mr. President, I do not happen to have the honor of knowing Thomas Jefferson Coolidge, of Boston, but I do know that I have come in contact with numerous people who have been interested in getting some of the business away from New York and into the smaller cities. I am sure they will say it is not such things as the S. E. C. that take business away from Boston or Cleveland or Cincinnati and give it to New York, but that there are deeper and more fundamental factors involved in the question of business moving away from or to New York City than the matter of whether or not this bill shall be passed.

The Senator from Ohio says that no one looks to the trustee. I will have to differ with him in respect to that statement. When it comes to the selling of bond issues, whether they are railroad bonds or any other kind of bonds, why is it that the name of trustee for the bonds is so prominently displayed upon the literature that is sent out to prospective purchasers? When there is put upon such literature the statement that the Guaranty Trust Co. of New York is going to act as trustee or that the House of Morgan is associated with the financing, almost immediately the prospective purchaser is led to believe that it must be a good security because of the fact that the bonds are being issued by, say, one of the institutions referred to, or because such an institution is going to be the trustee. It does have a tremendously important effect on the sale of the securities. That is why institutions such as the Guaranty Trust Co. and other similar institutions pride themselves on their reputations in dealing with securities so that they may sell them.

Mr. President, I have not read all the details of the pending bill, but I wish to call attention to some matters which were disclosed before the Interstate Commerce Committee and which this bill seeks to correct, although not in the railroad industry but in other lines of endeavor.

This bill, known as the Barkley bill, is of great moment to thousands of public investors who have placed billions of dollars of their savings in corporate bond issues. Investors have long been under the illusion that the great banks and trust companies, who ostensibly act as fiduciaries under the usual corporate trust indenture, are in fact active guardians of their interests. Even if there were not any evidence before the Banking and Currency Committee to that effect, there certainly was evidence to that effect before the Interstate Commerce Committee investigating the finances of the railroads under Senate Resolution 71 of the Seventy-fourth Congress. I understand that this bill is designed to translate these illusions into fact. The sponsors of the bill propose to accomplish this result by eliminating many palpable defects known to exist in trust indentures and by correcting certain serious abuses in corporate trust practice.

The defects and abuses which this bill has been drafted to prevent were disclosed to the Senate as a result of a study of trust indentures conducted by the Securities and Exchange Commission. Although the Commission's study in its field was conducted with painstaking and comprehensive thoroughness, it did not go into railroad financing; it did not consider trust indentures under which billions of dollars of railroad bonds have been issued to the public. Railroad indentures were entirely outside the scope of the Commission's study, but information on that subject is nevertheless available. It is my unpleasant duty to inform the Senate that the inquiries in the railroad field by the Committee on Interstate Commerce at the Senate's direction pursuant to Senate Resolution 71 of the Seventy-fourth Congress, in connection with the investigation of railroad financing and holding companies, show that precisely the same defects and abuses which were discovered by the Securities and Exchange Commission outside the railroad field are only too common in railroad indentures.

Railroad indentures, like the indentures examined by the Securities and Exchange Commission, contain the familiar "exculpatory" clauses which customarily relieve trust companies even of the obligation to exercise ordinary prudence in the management of their trusts. Of these provisions, Mr. Frederick A. O. Schwarz, of Davis, Polk, Wardwell, Gardiner & Reed, prominent New York lawyers and counsel for one of the most influential and well-known trust companies in the country, testified before our committee. I want to call the attention of the Senator from Ohio to this statement by Mr. Schwarz, of the firm of Davis, Polk, Wardwell, Gardiner & Reed. Testifying before our committee, he said:

> I for one—and I am expressing only my personal opinion now—feel that the so-called exculpatory clauses in trust indentures, relieving the trustee from any common-law responsibility—

And that is all they do—relieve them of "common-law responsibility"—

> which it would have as a trustee under a corporate trust, are undesirable.

Mr. President, I further desire to call attention to the fact that this same lawyer, whose firm is counsel for the principal banking firm in America, testified in that investigation that some of the provisions in bond indentures are—to use his own language—"terrible."

Railroad indentures, like the indentures examined by the Securities and Exchange Commission, customarily permit the indenture trustee to acquire interests which materially conflict with those of the bondholders whom it is supposed to protect as trustee. Our investigation has disclosed numerous instances where this unhealthy situation has existed.

One striking example occurred in the reorganization of the Missouri Pacific system. In that situation a prominent New York trust company was the trustee under an indenture securing a quarter of a billion dollars of publicly held bonds. In addition, the trust company was on its own account a large creditor of the railroad for whose bondholders it was trustee. This trust company had the foresight to arrange the terms of its own loan so that in the pending reorganization of the railroad the trust company's loan will receive preferential treatment over the publicly held bonds. The trust company was also the holder of a substantial block of junior debentures which had been obtained through the financing of a transaction on behalf of Alleghany Corporation, the holding company which controlled the railroad. The same trust company also had numerous relationships toward this holding company. The transaction under which the trust company acquired the debentures was ultimately carried through by contracts for the transfer of the properties involved to the Missouri Pacific, which contracts became a major financial scandal. The same trust company became the depositary under these contracts and also became the trustee of certain notes which were issued by the vendor company, a wholly owned subsidiary of Alleghany which also controlled the railroad. The terms and conditions of these contracts were subsequently found by the district court in which the Missouri Pacific reorganization proceeding is pending to be so onerous and unfair that lawsuits have since been instituted to disaffirm the contracts and recover the moneys expended by the railroad under them. Needless

to say, the trust company is a defendant in these lawsuits. The notes of the vendor company, Alleghany's wholly owned subsidiary, and Alleghany's stock and bond holdings in the Missouri Pacific system, were all pledged as collateral behind three trust indentures of Alleghany Corporation. And the same trust company was also the indenture trustee under each of these Alleghany trust indentures. Because of defaults in the collateral requirements under these trust indentures, as the record of our investigation shows, the trust company was for a long period in control of the Alleghany stock holdings in Missouri Pacific, and in that capacity it was its duty to act for the benefit of Alleghany bondholders. At the same time, however, it had these numerous other conflicting interests in the Missouri Pacific situation, including its own personal creditor position and its position as trustee for Missouri Pacific bonds.

The mere recital of these numerous conflicting positions in which the trust company permitted itself to become involved is sufficiently clear evidence of the impossibility of affording the bondholders of the railroad and the holding company the vigorous trusteeships to which they were entitled. The situation I have just described, moreover, is by no means uncommon in the railroad field, and clearly calls for corrective legislation. Our investigation showed a number of cases where the trustee was on both sides of the fence, and the indenture permitted the trustee to act despite the trustee self-interest which was in conflict with its duties as trustee. I am happy to see that defects and abuses such as these, which we have uncovered in our own investigation, will be eliminated by this bill in the case of trust indentures which are filed hereafter under the Securities Act, and I hope the bill will be passed. I realize that the bill does not apply to railroad indentures, but I trust its passage will provide a basis for the enactment of similar legislation in the railroad field. At any rate, I am glad to support a proposal for the correction of these situations in indentures to which the bill applies.

The Senator from Ohio says they might be sued; but the provisions of the indenture itself permitted the trustee to act in a dual capacity. I do not say the trustee in this particular instance acted from any ulterior motive. It simply got itself into a certain position unwittingly, without thinking of the consequences. If an attorney practicing law before any of the courts of this country had acted in the way in which the trustee acted, he would have been disbarred because of the fact that he occupied a position that was entirely untenable, representing conflicting interests, in some of these instances, to the extent of three or four different parties.

This bill, as I understand it, seeks in the first instance to prevent that. We are told that in such cases the trust company may be sued. This railroad went into bankruptcy; and after it went into bankruptcy and defaulted on its bonds, the judge who was presiding had the matter called to his attention, and he directed the bankruptcy trustee to bring suit. If it had not been for the fact that the company happened to go into bankruptcy, no suit ever would have been brought; and they had to go through a long period of delay, and will have to go through a long and tedious trial to find out whether or not they can actually recover.

Mr. TAFT. But, Mr. President, of course, under this bill they can go on. There is nothing in the bill which says that such persons or institutions shall not act as trustee. They simply contract that they will not represent conflicting interests, and that they will resign if the interests do conflict. Suppose they do not do so. In other words, suppose a man does not do what he ought to do. There is no way that I can see in which he can be made to do it, and the bill will not regulate that feature of the matter. The bill simply says that trust indentures shall provide that the trustee shall not do these things. Suppose he does them anyway. There is no penalty except a suit that may be brought by anybody who may be hurt, and in the case the Senator cites the whole thing was finally brought into court. There is no evidence that I can see, however, that ultimately any bondholders were injured.

My point is, I agree that there are abuses. I only say that I have yet to see the tremendous importance or the direct effect on bondholders' losses that will justify this additional extension of Government authority into another field. It is simply a cumulative building up of Government regulation until business is so hampered that it fails to function.

Mr. WHEELER. Let me say to the Senator that in this particular instance if there had been in the law a provision saying that the trustee should not enter into conflicting relations, and that provision had been in the indenture, I am just as sure as that I am standing here that this particular trust company would have looked into the matter and never would have permitted itself to get into that position.

Mr. TAFT. Any lawyer would have advised them that they were doing wrong, anyway. Any lawyer would have told them, and, in fact, they, themselves, should have known it. They did not look into the common law. The Senator says they would look into the indenture. The fact is that they will not look into the common law. I do not see the distinction the Senator makes.

Mr. WHEELER. But in their indenture they were relieved from the common-law liability.

Mr. TAFT. No; not in the indenture. They relieved themselves from liability for negligence but not from liability for representing conflicting interests, contrary to the interests of those whom they represented.

Mr. WHEELER. I say to the Senator that in this particular indenture they did relieve themselves from common-law liability.

Mr. TAFT. Yes; for negligence, but not for deliberate breach of trust.

Mr. WHEELER. Not for deliberate breach of trust; but this trust company was one of the biggest in the country, one of the most influential, and one that the Senator and I and everybody else would look up to, and say that if that trust company put its O. K. on an issue of bonds, we would feel that we would be guaranteed protection of our interests; and it employed the best lawyers in the country. There is no question in my mind that they did not go into this thing with the idea of cheating somebody; but they found themselves in a position where unconsciously, I think, they represented conflicting interests.

The Senator says they could have looked into the matter, and they should have done so, and any lawyer should have advised them of the situation; but this was one of the most influential companies in the United States, and their lawyers did not advise them, or they perhaps did not ask their lawyers because of the fact that they thought they knew so much about the subject.

When we come to talk about passing legislation of this kind, and say that that is the thing that is retarding recovery in the United States, I say that whether we pass this bill or do not pass it will have very little effect upon recovery in the United States. I do not want to go back and get into a political discussion of what brought about the present condition in America; but, if I were to do so, all I would say would be that we had no regulation of the stock exchange, and we had no regulation of any of these things in 1929, and that is one of the reasons why we are in our present condition. We had a wild orgy of speculation in which there were unloaded upon the little banks all the Triple A bonds and the double A bonds, and so many little banks in the West and so many other banks in the West went broke because of the fact that there were unloaded upon those banks fake securities and fake bonds. Then when we want to correct these conditions, we are told, "You cannot have any reform because, if you do, you are going to retard business."

As a matter of fact, that is what is said by everybody who comes before the Interstate Commerce Committee of the Senate when efforts are made to pass the slightest little bill with reference to some reform or to put under regulation somebody who ought to be under regulation. Opponents of the legislation come in and say, "I am afraid of what is going to happen." We have a fear psychology in the United

States today, and that is what is guiding us. Every lobbyist who comes before our committees, trying to protect some selfish interest that he is representing, or representing himself, says "If you pass this legislation, something terrible is going to happen to the country." I am becoming disgusted with it.

Whether this bill passes or does not pass is not going to affect in the slightest degree the question of whether we shall put to work the 11,000,000 unemployed persons in the United States. That is the great problem that is before us; but everybody who comes before the committee says, "If you pass this bill, we cannot put those 11,000,000 persons back to work." I wish the problem were as simple as that, but I am sure it is not.

I hope the bill will pass. I think it is time that these matters were regulated. The evidence before the Committee on Interstate Commerce entirely bears out the conclusion which was reached by the Securities and Exchange Commission, that there is need of such legislation; and I am sure the Senate is going to pass it.

Mr. MILLER. Mr. President, I shall not detain the Senate very long; but there are some things to which I desire to allude which to my mind are sufficient reasons for supporting the pending bill.

In the beginning, it should be understood that by the passage of this bill, or any other legislation which the present session of Congress may enact, we shall do very little to put an end to defaults in bonds. Bond investors in this Nation should not entertain the idea that merely because we are attempting to regulate the conduct of the trustees of bond issues, their investments in bonds are thereby made safe. On the other hand, the testimony before the committee, and the experience which has been acquired by the Securities and Exchange Commission over a period of almost 3 years, are, in my opinion, sufficient to justify the enactment of this proposed legislation.

It has been stated by the able Senator from Ohio [Mr. TAFT], for whom I entertain a very high regard and who always makes a legalistic and logical argument, that one complaint regarding this bill has been that the Congress is attempting to lay down a formula for writing trust indentures. We are attempting to do that, and the bill does prescribe a formula for such indentures; but what has happened in actual business? Probably every lawyer here who ever drafted an indenture went to his shelves or to his filing cabinets and took from some prior indenture nine-tenths of its phraseology and simply inserted it in the document he was drawing. Those clauses, as some witnesses said, are called "boilerplate" clauses. As a general thing there is very little difference between the various indentures that are drawn up. Country lawyers do not know so very much about this sort of thing, except what they learn at the expense of their clients; but the city law firms which draw up trust indentures charge enormous fees for doing nothing in the world except inserting "boilerplate" indenture clauses. What we ourselves are doing here is to substitute a little "boilerplate" for the "boilerplate" which has grown up over a period of years. I hope our action will have a salutary effect upon business.

Trust indentures are very mystifying to a lawyer, and, of course, much more so to a layman. They frequently contain 50 pages or even as much as 200 pages, which it is said nobody reads; and I presume that is true, for I think very few men could stay awake long enough to read intelligently an indenture. But when a practice has grown up in this Nation, as it has grown up, of hiding away in trust indentures clauses which exculpate the trustee not merely from negligence but from willful misconduct, it seems to me it is about time for the Congress or some other body to step in and regulate the matter.

It is interesting to read the report of the Securities and Exchange Commission on the 600 indentures which the Commission examined. We find that few of the indentures contain any restrictions as to conflicting interests on the part of the trustee, whether or not the trustee should become a creditor of the borrower or the issuer, whether or not he should become the holder of additional securities, and so forth; and of all the abuses that have grown up in the country, one of the worst is the conflicting interests of the trustee under the average indenture.

We hear much said about confidence and the lack of confidence in this Nation. I say that if the investing public knew the provisions of the average trust indenture, there would be no investments made. Notwithstanding the fact that the trustee is not the managing authority of the business, and notwithstanding the fact that the question whether or not the bonds will be repaid, or whether or not the interest will be met, is one of business management of the corporation or of the issuer itself, still the trustee does have an obligation to perform. I do not know of any provision in the bill which is going to cause any restriction or undue liability upon business. If there is any such provision, I fail to find it.

Complaint is made that additional cost will be incurred. The only additional cost will be for the mere simultaneous filing of the indenture, that is all. Under the present law the indenture is filed in order that a full disclosure may be made of its contents. The only change will be in examination of the indenture for the purpose of seeing that it complies with the law. That will be the only additional expense.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. MILLER. I yield.

Mr. TAFT. Are there not at least three provisions which will have to be submitted to and discussed with the Commission?

Mr. MILLER. I am coming to that point.

Mr. TAFT. And as to which the Commission's express approval will have to be obtained?

Mr. MILLER. There are three items upon which the Commission will or may exercise its discretion, to which I will refer in a few moments.

As to the fear that the enactment of this measure will result in sending trusteeships to New York and Chicago, most of the trusteeships are found in those centers anyway. Out of four and a half billion dollars of indentures which have been filed since the Securities and Exchange Commission came into existence, 87 percent in number have gone to Chicago and New York, and 85 percent in volume have gone to those two cities. They will continue to go to the cities where the financing is done.

Senators need not be alarmed about that matter. There are no trusteeships in 26 States in this Union, under the indentures filed with the Securities and Exchange Commission during the last 2½ years. My State is one of the 26. Not a trustee is named in 26 States; so Senators need not be worried about that. Their States will not lose any of this kind of business, because they have not any. They are not going to gain any until they can become financial centers such as New York and Chicago, because a trustee is going to be named where the investment banker lives. So we need not be at all alarmed about that.

The Senator from Ohio has referred to the matter of discretion. The bill does authorize the Securities and Exchange Commission to exercise certain discretion in three or four particulars, which are provided for, I believe, in section 310 of the bill. But that is only in connection with acts to be performed by the trustee immediately prior to default by a borrower. We cannot write a formula in this regard, for much will depend on the conditions which exist at that time. We have gone as far as we can in writing a formula to govern the conduct of the trustee, and require absolute good faith on his part and ordinary honesty in his dealings with the bondholders. That is all the bill does.

I think I am just as much opposed as is any other Senator on this floor to excessive Government regulation of business, but we know that there has been almost a national scandal in the bond business. I am not saying that had this measure been a law it would have prevented all abuses, though I think probably it would have been a deterrent, but there is nothing in the bill which will prevent investments.

There are provisions in it which will tend to increase investment confidence, and that is what we need.

I do not desire to consume the time of the Senate in a discussion of the bill, because I do not see anything in it which in any wise gives us any reason to view with alarm its operations. There is every reason in the world why a trustee should exercise ordinary prudence. Some trustees do. Indentures can be found in this country, such as indentures spoken of by the Senator from Vermont, to which the measure would not apply. Of course, the courts would apply the law. But many trustees do not need regulating, and the law will apply to those who do.

I hope the bill will be enacted.

Mr. DANAHER. Mr. President, earlier in the debate the Senator from Kentucky offered us the privilege of asking him questions to bring out any explanation of the figures we desired, and I should like to ask him under what condition additional bonds can be issued with reference to outstanding indentures.

Mr. BARKLEY. Mr. President, in subsection (c), on page 12, there is the following provision:

(c) The Commission shall, on application by the issuer and after opportunity for hearing thereon, by order exempt from any one or more provisions of this title any security issued or proposed to be issued under an indenture under which, at the time such application is filed, securities referred to in paragraph (3) of subsection (a) of this section are outstanding, if and to the extent that the Commission finds that compliance with such provision or provisions, through the execution of a supplemental indenture or otherwise—

(1) would require, by reason of the provisions of such indenture, or the provisions of any other indenture or agreement made prior to the enactment of this title, or the provisions of any applicable law, the consent of the holders of securities outstanding under any such indenture or agreement; or

(2) would impose an undue burden on the issuer, having due regard to the public interest and the interests of investors.

In other words, when an application is filed before the Commission, it will be subject to hearing, and the Commission can then pass upon the question whether additional securities may be isued.

Mr. DANAHER. Does not the Senator understand, however, that there still remains in the Commission the discretion to decide whether or not additional issues may be offered?

Mr. BARKLEY. Yes. The bill provides that when such an application is made the Commission shall hold hearings upon it and be governed by the effect it might have upon outstanding obligations already issued, or what the effect might be upon the situation described in these subparagraphs.

Mr. DANAHER. With the consequent disruption, perhaps, of the financial structure of the issuer.

Mr. BARKLEY. If the issuer be sufficiently disinterested in his own financial structure as to make application for the issue of additional bonds which would disrupt and destroy his financial structure, certainly the Commission at least ought to interfere with any such project by declining to approve the issue of additional bonds. It is hardly to be conceived that any corporation would deliberately make application of that kind for the purpose of disrupting its own financial structure.

Mr. DANAHER. Of course I do not believe that any issuer would do that for the purpose of disrupting its own financial structure.

Mr. BARKLEY. If there were an issuer which would do it, the Commission certainly ought to intervene and not permit it.

Mr. DANAHER. Keeping those things in mind, I ask the Senator what provision there is with reference to refunding outstanding issues under existing indentures.

Mr. BARKLEY. The refunding would be a new issue. It would have to be qualified just as the original issue was qualified, so that there would have to be a new indenture. The new issue under ordinary circumstances might require a different kind of indenture from that which was prepared originally. Under the proposed law, if the loan is refunded, it is treated as a new issue, so far as concerns the requirement that the indenture shall conform to the requirements of the provisions of the bill in order that it may qualify, if the bonds are to be sold and distributed among the public, which I assume they would be.

Mr. DANAHER. Does not the Senator feel that securities under indentures outstanding before the adoption of this measure ought to be able to qualify without the issuer coming to Washington and submitting to the discretion of the Commission?

Mr. BARKLEY. I do not.

Mr. DANAHER. Does not the Senator necessarily then feel that the exercise of that discretion might be adverse, and hence cause absolute collapse on the part of the already outstanding issue?

Mr. BARKLEY. No; I do not think it would, because if it is merely a refunding of an outstanding issue which has been issued under an indenture which qualified under the provisions of the bill and the applicant came and filed with the Commission an indenture under which it proposed to refund outstanding bond issues, the Commission would then pass on the question whether the indenture for that particular refunding issue complied with the law.

Mr. DANAHER. Right there, Mr. President, I will ask the Senator what terms he says the Commission would approve in the indenture.

Mr. BARKLEY. The terms, so far as the loan itself is concerned, are not subject to the approval of the Commission. The Commission's duty is to find whether in the body of the indenture itself the provisions are set out in compliance with the requirement of the law. The maturity date or dates of the bond issue, the amount of it, the amount of interest, the provision for amortization or repayment are not subject to approval of the Commission; they are not even subject to approval if they are contained in the indenture. The only thing that the indenture has to do in order to qualify is to conform to the provisions of the law, and they do not pertain to what may be called the business deal of the transaction.

Mr. TAFT. Still, in the case of a company which has outstanding an open first mortgage, let us say, with "A" bonds, and it wants to extend its financing under the mortgage, it cannot sell any bonds except first-mortgage bonds, and it comes out with a series "B" bonds. It is true, as I understand, that the Commission could say, "You cannot issue any 'B' bonds under the indenture." The bill, in fact, therefore, gives the Commission power absolutely to turn down a financing if they wish to do so. I do not say that they would, but is it not true that they could put that power into effect so that the company in question could not extend its financing by the issuance of any additional obligations?

Mr. BARKLEY. Under the provisions for exemptions which I read a moment ago, the Commission could pass upon the question whether the additional type of bond should be issued, or, in other words, whether it should be exempt from the provisions of the indenture.

Mr. DANAHER. Under section 312, page 37 of the bill on our desks, we find reference to bondholders' lists. Does the Senator find the reference?

Mr. BARKLEY. Yes.

Mr. DANAHER. I should like to ask, Mr. President, when we are undertaking to protect bondholders, why it should not be possible for a bondholder, after default, to go to the trustee and get a list of all other bondholders? Why should there be an option on the part of the trustee as to whether he will or will not release that list? The Senator will find the reference at the bottom of page 38.

Mr. BARKLEY. The committee and the Commission and all those who have had anything to do with the framing of this legislation, have undertaken to provide in the bill that under circumstances which are deemed sufficient and adequate, when bondholders desire, or there is a necessity to form a bondholders' committee to protect their interests, they shall have the right to apply for a list of all other bondholders so that they may communicate with them on the question of whether they desire to have a bondholders' committee appointed. It is conceivable also that there might be some mischievous desire on the part of some individual, a troublemaker here and there, who might apply for a bond-

holders' list simply for the purpose of instigating trouble, for the purpose of beginning litigation. In such cases the trustee probably ought to be given the power to decide whether a bondholders' list shall be furnished to an individual bondholder who makes the request.

Mr. DANAHER. So that there is an election remaining in the trustee.

Mr. BARKLEY. There is certain discretion in the trustee in that particular case.

Mr. DANAHER. And he may refuse to give the list?

Mr. BARKLEY. He might do so; yes.

Mr. DANAHER. Mr. President, right there, does not that suggest to the Senator that we ought properly to protect the trustee? Give the bondholders the right to get a list of all bondholders. Remember, sir, all this is after an existing default. Give the bondholder that right, so that he may be in a position to obtain the names of all the bondholders. The trustee should be protected to the extent that no suit would lie against him unless and until the Securities and Exchange Commission authorized such a suit. Then we would have the advantage not only of protecting the bondholder so he might maintain his rights but the trustee would also be protected. Certainly that ought to be done. If no restriction is placed upon the filing of a suit against the trustee, it may often result in irreparable damage being done—perhaps a run on a bank.

Mr. BARKLEY. I think we have gone as far as possible to protect not only the trustee but also the investor, for, after all, we cannot overlook what seems to be a prime obligation to the investor to the one who has trusted not only the trustee but has trusted the underwriter, and has trusted the issuer, and who does not have the facilities that are enjoyed by all those on the inside to understand all about the issues and the conditions of the company. I think we have gone as far as we can safely go to protect the trustee from undue harassment or unnecessary litigation consistent with protecting the bondholder in his right, so that he may obtain the list of bondholders in case of necessity without having to go to the only source now from which he can obtain it. And he cannot obtain them then unless the issuing company, the obligor, is willing to give to him such a list.

Mr. DANAHER. Does the Senator know whether or not the provision appearing at the foot of page 38 which retains in the trustee the discretion as to whether he will or will not grant the list of bondholders, is the result of compromise between interests involved in the bill?

Mr. BARKLEY. Yes; many of the provisions of the bill, I will say, are the result of negotiations and conferences of various kinds not only on the part of the Securities and Exchange Commission but the American Bankers Association, the American Association of Savings Banks, and, I will say, the Investment Bankers Association, which, as I said a while ago, have never come all the way along in endorsing the bill. However, many of the provisions of the bill have been worked out after negotiations, discussions, and conferences over the table with all interests involved in the issue of bonds and the formulation of indentures. I may say that the provision here is the result of those conferences and efforts to draft a provision that would be fair to those who have a right to expect protection.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. TAFT. There was one statement made earlier in the day about the Investment Bankers' Association that I think was perhaps in error, and I want to correct it. Every investment banker of the United States is 100 percent opposed to the bill. I think there ought to be no misunderstanding as to their position.

Mr. BARKLEY. There is no misunderstanding about it. The Investment Bankers' Association as an organization is opposed to the bill. Whether or not every individual member of it is opposed to it I do not undertake to say. I do not intend to leave the impression, and I do not think I did by a proper construction of my remarks on the subject, that the Investment Bankers' Association as such has endorsed the bill and is not opposed to it.

Mr. DANAHER. Mr. President, I have only one other question to ask the indulgent Senator from Kentucky, and that is whether he knows of any losses that have occurred to bondholders because of the form of the indenture since the adoption of the Securities Act of 1933?

Mr. BARKLEY. Mr. President, that is not a fair test, I will say, of the measure we are now considering, because very few such indentures or bond issues have run sufficiently long to enable us to tell whether there will be losses. The time of their expiration has not yet arrived. We have not even nearly approached it. We can tell more about that, perhaps, 5, 10, or 15 years from now, when the bonds begin to approach maturity. Of course, in view of the fact that all these bond issues have been compelled under the law to be filed with the Commission, disclosures have been made. That of itself has operated as a protection to the public, because it then knew as much as it could know by an investigation and inspection, the nature of the bonds and of the company. It is hardly a fair test to ask or for me to attempt to answer as to the losses that have occurred since the act of 1933 or the act of 1934. I will say that the losses have not been very substantial in the last 4 years. But whether they will be substantial in the future on securities already issued which do not come under the provisions of this particular bill it is utterly impossible to foresee.

Mr. DANAHER. I wish to thank the Senator for his courtesy and his cooperation with me. I will say in passing that I had already talked over this phase with the able counsel for the Securities and Exchange Commission, Mr. Burke, who has been in charge of the bill before the committee. There were phases of it which it seemed to me ought particularly to be considered here, and I have raised them in question form. Particularly, it seems to me we ought to have in mind maturing obligations under already outstanding bonds. If the bill is enacted in its present form, I believe we shall leave ourselves open, in that particular, to some serious inroads upon the structure and the status of businesses today. If the situation were entirely prospective, that would be one thing; but in the absence of its being entirely prospective, and since the bill will not have an influence on maturities of outstanding indentures, I fear that all the spokesmen for the bill have offered is a sanguine hope in that particular.

I thank the Senator.

Mr. BARKLEY. I appreciate the Senator's remarks. His questions have been constructive and sincere. I will say that, of course, we cannot go back ab initio and revise the terms under which outstanding bond issues have been made. All we can do is to provide protection for the future; and in case outstanding bond issues are refunded they will have to come in under the shelter of the law, just as though they were original issues.

Mr. SCHWELLENBACH. Mr. President, I should like to submit a question to the Senator from Connecticut [Mr. DANAHER], if I may.

Mr. DANAHER. Certainly.

Mr. SCHWELLENBACH. Am I to understand that the Senator from Connecticut feels that it is entirely proper to have these debentures in the original issuance of bonds on an open-end mortgage concealed somewhere in the middle of an indenture, and to have the bonds sold to the investing public, in most cases with no knowledge on the part of the investing public that it is an open-end mortgage, and that the Senator would object to some restraint upon that sort of practice?

Mr. DANAHER. In answer to the question, Mr. President, I will say that as the law now stands there is no limitation upon the right of a person to enter into a contract. The contract has been entered into, interests have vested, title has passed, and persons have changed position in reliance upon the terms of the indenture as at present drawn.

There is no question in the world that any buyer who chose to do so could have had an opportunity to examine such

indentures. Under those circumstances maturities will come along and must be met, and the company's position may, indeed, be at stake. If the possibility of compliance with the discretion reposed in the Commission by the bill is a necessary condition precedent to whether the company does or does not stay in business, I have an idea that there will be failure to comply. The Senator knows that there are thousands of outstanding issues of corporations and businesses all over the country.

Mr. SCHWELLENBACH. I was limiting my first question to the question which I understand the Senator first raised; that is, the question of open-end mortgages. The Senator is answering by talking about the question of refunding issues.

Mr. DANAHER. I believe my question had to do with the matter of refunding issues, and I think the point to which the Senator adverts was interjected by the Senator from Ohio [Mr. TAFT].

Mr. SCHWELLENBACH. That may be. However, take as an example a corporation which issues $10,000,000 of bonds. The time comes when the bonds are due. We know that many corporations take the position that they never intend to pay the bonds. They intend merely to refund them. Does not the Senator think that the investing public which purchases the bonds for refunding purposes is entitled to the same amount of protection as the investing public which purchased the bonds when they were first issued?

Mr. DANAHER. The question at stake is, To what extent is the United States Government, through one of its agencies, to become a third party to every contract? After all, that is the question involved. Of course I recognize that there is much to be said in favor of the principle of the bill. I understand the degree of protection that is asked, and the hope that is held out for it. I must confess myself in doubt as to whether or not it is necessary at the present time, however, or whether there has been any demonstrable justification for it.

Mr. SCHWELLENBACH. I do not care to enter into an argument with the Senator, but I think there have been many abuses in this country in the matter of refunding issues, and in the attitude of corporations when they put out a bond issue which they never intend to pay off. I refer to the practices of certain public utilities throughout the years. Certainly the provisions of the bill, which are mild as compared with what some would like to do in the matter of regulation, are only those to which the investing public is entitled.

Mr. DANAHER. Let me say, Mr. President, that since the requirement for registration under the Securities Act of 1933, I know of no information called for by the registration requirements today which has disclosed any loss in any way whatever because of the form of the indenture. I know of no evidence of any such loss. I know of no claim of any. Quite the contrary; I believe the only justification offered by Mr. Douglas in his report with reference to the subject was that some 400 defaulting structures had been examined by him before 1933, with respect to which the same terms of indenture were written into the reissue indenture since 1933. He felt that there was thus reason to suspect and fear the worst from now on. He felt that this type of protection should be had from now on, and hence wrote the bill. I think that is the excuse for it. I know of no other.

Mr. SCHWELLENBACH. Mr. President, I wish to say just a word.

I am not a member of the committee which studied the bill, and therefore I am not in a position to discuss the testimony before the committee. However, in the past the reliance which has been placed by the investing public upon the name of a trustee has been most profound. I know of no greater fraud—and I use the word "fraud" in the sense of criticism—that has been perpetrated upon the investing public, taking into consideration the confidence they had in the name of a trustee, than the inclusion in trust indentures of provisions which completely deprive the investing public of any right so far as the trustee is concerned.

Anyone who has had any experience in the investment-banking business knows that a salesman goes out and says, "Here is a great institution which is the trustee. Don't you know that if this were not a proper issue the trustee would not act for it?" The salesman does not tell the public what every lawyer knows, that in that trust indenture are provisions which make it absolutely impossible for the investor to look to the trustee to protect him in any way.

Mr. ADAMS. Mr. President, will the Senator from Kentucky be good enough to allow me to ask a question?

Mr. BARKLEY. Certainly.

Mr. ADAMS. I was looking at page 45 of the bill, subdivision (4), under the heading "Duties and responsibilities of the trustee; duties prior to default." It is provided that the trustee's duties are to be imposed without limitation. Subdivision (4) bothers me a little. It says:

> The performance by the obligor of such of its other obligations under the indenture as the Commission deems necessary or appropriate in the public interest or for the protection of investors.

That language seems to indicate that there may be some obligations which are not to be enforced. It says "such of its other obligations." I am wondering just what the interpretation of that language is.

Mr. BARKLEY. That language is a part of section 315, which pertains to the duties and responsibilities of the trustee, under the subhead "Duties prior to default." The section reads as follows:

> DUTIES AND RESPONSIBILITY OF THE TRUSTEE
>
> Duties prior to default
>
> SEC. 315. (a) The indenture to be qualified shall contain provisions imposing upon the indenture trustee such specific duties and obligations prior to default (as such term is defined in such indenture) as are consistent with the duties and obligations which a prudent man would assume and perform prior to such a default if he were trustee under such an indenture, including, without limitation, action in respect of the following matters—
>
> (1) the recording, re-recording, filing, and refiling of the indenture;
>
> (2) the application of the indenture securities and the proceeds thereof to the purposes specified in the indenture;
>
> (3) the existence of or compliance with all conditions precedent to the authentication and delivery of the indenture securities, to the release or substitution of any property subject to the lien of the indenture, to the satisfaction and discharge of the indenture, and to any other action by the trustee under the indenture; and
>
> (4) the performance by the obligor of such of its other obligations under the indenture as the Commission deems necessary or appropriate in the public interest or for the protection of investors.

In other words, in addition to the specific things set out in subparagraphs (1), (2), and (3) in order for the indenture to be qualified it must also contain a provision that the trustees shall perform such specific duties and obligations prior to default as are consistent, and so forth, with respect to the performance by the obligor. That is a duty enjoined on the trustee.

Mr. ADAMS. I understand.

Mr. BARKLEY. It is his duty to see to it, before default, insofar as the trustee can do so, that the obligor is performing its duty.

Mr. ADAMS. I have not succeeded in making clear my point. I am not complaining of the rigidity of the provision, but of its liberality. It seems to indicate that there are some obligations the performance of which the Commission will not require, because it says:

> the performance by the obligor of such of its other obligations under the indenture as the Commission deems necessary or appropriate in the public interest or for the protection of investors.

I am wondering why there are obligations which the Commission is not going to require the obligor to perform, and what they could be.

Mr. BARKLEY. Of course this all pertains to the duty of the trustee; and among the duties of the trustee before default, of course, is the duty to see, insofar as the trustee can, that the terms of the obligation, the bonds and the indenture, shall be complied with with respect to reserves, sinking funds, and anything included in the debenture which will work toward the possibility of the obligor performing

its duty in respect of such matters at the time of maturity, if that is when the duty is to be performed, or before maturity.

Mr. ADAMS. Is not the implication of this section that there may be vested in the Commission a discretion to say to the obligor, "There are some of your obligations which you do not need to perform"? It seems to me that if an obligation is entered into, it ought to be performed, and the Commission ought to have no authority to waive it.

Mr. BARKLEY. That implies, I think fairly, the suggestion that in writing the indenture the Commission may exercise some jurisdiction over the trustee in determining that some other duty which the obligor is under as a result of the indenture may be waived for specific reasons which may exist at the time. It may be that in a certain case it would be better to hold off, and not to insist upon the actual rigid enforcement of the obligation of the trustee meticulously to do in detail everything that is set out in such a case under subsection (4).

Mr. ADAMS. I may be a bondholder and I may be interested in the enforcement of the clause. Does the Senator think the Commission should say to me, "Though you have bought the bond relying upon that clause, we are going to waive its performance"?

Mr. BARKLEY. Only in case the Commission decides that to do that is for the protection of the investment and in the interest of the public.

Mr. ADAMS. Would the Senator object if that paragraph should be stricken out?

Mr. BARKLEY. I do not think it ought to go out. There is not much discretion left to the Commission in the bill anyway. One of the few things the Commission may do is to exercise some discretion with respect to these very matters that may transpire prior to a default. Another is with respect to notices after default, and another relates to the Commission's approval of certain types of legal and accounting services. There is not very much left in the bill in the way of discretion to the Commission. It is practically all automatic. When the obligor has complied with the provisions of the bill by writing up his indenture in compliance with the law, the duties of the Commission almost entirely cease.

Mr. ADAMS. May I bother the Senator with just one more item?

Mr. BARKLEY. Yes.

Mr. ADAMS. I refer to the portion of the bill with reference to disqualification, on page 26, subsection (5).

In my State, in the city of Denver—which is quite a local commercial capital—there are a number of banks which engage in the business of acting as trustee. The financial center is not very large, and I have been finding some difficulty in working out the various details as to what would disqualify a trustee. I can understand an absolute, rigid rule that if the trustee has a single share of stock, or if anybody connected with the trustee has a single share, there is a disqualification. Here, however, we are setting out that ownership of 5 percent in one instance and 10 percent in another shall disqualify. That is, we abandon the hard and fast rule and attempt to work out the matter on a mathematical basis.

I can conceive that in the community of Denver there may be an individual owning 5 percent of the stock of a bank which is a trustee, and who happens also to be a director of, say, a mining company, or a lumber company, or a coal company. Under this bill the local trustee could not act. That is, the disqualification would be there because of a minority interest of the trustee in one case and a directorship in the other. Does not the Senator think that is a pretty stringent provision when we consider these smaller financial centers?

Mr. BARKLEY. Of course, we have undertaken to relieve the small financial centers by exempting all bond issues of a million dollars or less.

Mr. ADAMS. Of course, Denver is not small. We have a number of bond issues of more than a million dollars.

Mr. BARKLEY. I understand that Denver is not in that category, and I did not think the Senator was talking about Denver when he was talking about financial centers. We have attempted to relieve the so-called or actual small financial centers by exempting all bond issues of a million dollars or less. I assume that the Senator is talking about subsection (5) at the bottom of page 26.

Mr. ADAMS. Yes.

Mr. BARKLEY. The trustee would be disqualified, for instance, if—

5 percent or more of the voting securities of such trustee is beneficially owned either by an obligor or by any director, partner, or executive officer thereof—

That is, a single one—

or 10 percent or more of such voting securities is beneficially owned collectively by any two or more of such persons—

And so forth. We had to establish some arbitrary percentage; and it was the best judgment of the committee that in the case of a single individual the ownership of more than 5 percent ought to disqualify a trustee from acting, and that in the case of two or more individuals 10 percent or above that percentage ought to disqualify a trustee from acting.

Mr. ADAMS. I agree with the Senator that the percentage is arbitrary. It occurred to me that it was just a little too arbitrary, though I do not mean to question the action of the committee.

Mr. BARKLEY. I understand the Senator's point. If we go above that percentage, we get into a realm where there may be such conflict of interest that the trustee ought not to serve. In other words, even a smaller percentage of interest in the assets or the stock or the beneficial ownership of the obligations of a corporation might in some cases color the conduct of the trustee in such a way as to make possible the neglect of his larger duty as trustee of the widely diffused public that happens to own the obligations. Even in the smaller financial circles, and certainly in a major financial circle like the city of Denver, I think this 5- and 10-percent requirement would not work any hardship.

Mr. LODGE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Ellender	McNary	Sheppard
Andrews	Frazier	Maloney	Shipstead
Austin	Green	Miller	Slattery
Bankhead	Guffey	Minton	Taft
Barbour	Gurney	Neely	Thomas, Utah
Barkley	Hayden	Norris	Townsend
Capper	Hill	Overton	Wagner
Caraway	Hughes	Pepper	Walsh
Chavez	Johnson, Colo.	Russell	White
Connally	Lodge	Schwartz	Wiley
Danaher	McKellar	Schwellenbach	

The PRESIDING OFFICER. Forty-three Senators having answered to their names, there is not a quorum present. The clerk will call the names of the absent Senators.

The legislative clerk called the names of the absent Senators, and Mr. BURKE and Mr. TOBEY answered to their names when called.

The PRESIDING OFFICER. Forty-five Senators have answered to their names. There is not a quorum present.

Mr. BARKLEY. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The motion was agreed to.

The PRESIDING OFFICER. The Sergeant at Arms will execute the order of the Senate.

The following Senators entered the Chamber and answered to their names: Mr. BILBO, Mr. BONE, Mr. CLARK of Missouri, Mr. GERRY, Mr. HATCH, Mr. LUNDEEN, Mr. MURRAY, Mr. O'MAHONEY, Mr. PITTMAN, Mr. REED, Mr. THOMAS of Oklahoma, and Mr. WHEELER.

The PRESIDING OFFICER. Fifty-seven Senators have answered to their names. A quorum is present.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and to be read the third time.

The bill was read the third time.

The PRESIDING OFFICER. The question is, Shall the bill pass?

Mr. McNARY. I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. WHITE (when Mr. HALE's name was called). On this vote my colleague the senior Senator from Maine [Mr. HALE] is paired with the junior Senator from South Carolina [Mr. BYRNES]. If my colleague were present and at liberty to vote, he would vote "nay." I am not informed as to how the junior Senator from South Carolina would vote.

Mr. McNARY (when his name was called). On this vote I have a pair with the senior Senator from Mississippi [Mr. HARRISON]. I transfer that pair to the junior Senator from Vermont [Mr. GIBSON] and vote "nay."

The roll call was concluded.

Mr. SHIPSTEAD. On this vote I have a pair with the senior Senator from Virginia [Mr. GLASS]. I am not informed as to how he would vote, and therefore I withhold my vote. If at liberty to vote, I should vote "yea."

Mr. McKELLAR. The junior Senator from Tennessee [Mr. STEWART] is absent on important public business. He is paired with the junior Senator from Oregon [Mr. HOLMAN]. If the junior Senator from Tennessee were present, I am informed that he would vote "yea."

Mr. MINTON. I am authorized to announce that on this vote the Senator from New York [Mr. MEAD] is paired with the senior Senator from Michigan [Mr. VANDENBERG]. I am informed that if the Senator from New York were present and voting he would vote "yea," and that the Senator from Michigan would vote "nay."

I announce that the Senator from Virginia [Mr. BYRD] and the Senator from Maryland [Mr. RADCLIFFE] are unavoidably detained from the Senate. I am advised that if present and voting they would vote "nay."

The Senator from Indiana [Mr. VAN NUYS] is absent because of illness.

The Senator from Arizona [Mr. ASHURST], the Senators from North Carolina [Mr. BAILEY and Mr. REYNOLDS], the Senator from Michigan [Mr. BROWN], the Senator from South Dakota [Mr. BULOW], the Senators from South Carolina [Mr. BYRNES and Mr. SMITH], the Senator from Idaho [Mr. CLARK], the Senator from Ohio [Mr. DONAHEY], the Senator from California [Mr. DOWNEY], the Senator from Georgia [Mr. GEORGE], the Senators from Iowa [Mr. GILLETTE and Mr. HERRING], the Senator from Virginia [Mr. GLASS], the Senator from Mississippi [Mr. HARRISON], the Senator from West Virginia [Mr. HOLT], the Senator from Utah [Mr. KING], the Senator from Oklahoma [Mr. LEE], the Senator from Kentucky [Mr. LOGAN], the Senator from Illinois [Mr. LUCAS], the Senator from Nevada [Mr. McCARRAN], the Senator from New York [Mr. MEAD], the Senator from New Jersey [Mr. SMATHERS], the Senator from Missouri [Mr. TRUMAN], and the Senator from Maryland [Mr. TYDINGS] are unavoidably detained.

Mr. AUSTIN. My colleague the junior Senator from Vermont [Mr. GIBSON] and the Senator from Pennsylvania [Mr. DAVIS] are necessarily detained from the Senate.

I announce the following general pairs:

The Senator from Pennsylvania [Mr. DAVIS] with the Senator from Kentucky [Mr. LOGAN].

The Senator from New Hampshire [Mr. BRIDGES] with the Senator from Georgia [Mr. GEORGE].

The Senator from North Dakota [Mr. NYE] with the Senator from Illinois [Mr. LUCAS].

The result was announced—yeas 40, nays 16, as follows:

YEAS—40

Andrews	Ellender	Maloney	Russell
Bankhead	Frazier	Miller	Schwartz
Barkley	Green	Minton	Schwellenbach
Bilbo	Guffey	Murray	Sheppard
Bone	Hatch	Neely	Slattery
Capper	Hayden	Norris	Thomas, Okla.
Caraway	Hill	O'Mahoney	Thomas, Utah
Chavez	Hughes	Overton	Wagner
Clark, Mo.	Lundeen	Pepper	Walsh
Connally	McKellar	Pittman	Wheeler

NAYS—16

Adams	Danaher	Lodge	Tobey
Austin	Gerry	McNary	Townsend
Barbour	Gurney	Reed	White
Burke	Johnson, Colo.	Taft	Wiley

NOT VOTING—40

Ashurst	Donahey	Holt	Radcliffe
Bailey	Downey	Johnson, Calif.	Reynolds
Borah	George	King	Shipstead
Bridges	Gibson	La Follette	Smathers
Brown	Gillette	Lee	Smith
Bulow	Glass	Logan	Stewart
Byrd	Hale	Lucas	Truman
Byrnes	Harrison	McCarran	Tydings
Clark, Idaho	Herring	Mead	Vandenberg
Davis	Holman	Nye	Van Nuys

So the bill (S. 2065) was passed.

THE FARM PROBLEM

Mr. BARKLEY obtained the floor.

Mr. WILEY. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. WILEY. Mr. President, I shall not detain the Senate long. In view of the fact that it is necessary for me to depart for a little while into the Middle West, I feel that it is incumbent upon me to bring to the attention of the Senate a very significant matter.

Probably the indictment most frequently directed at any legislator is that he loses perspective. It is very easy for us, sitting in the quiet of this Chamber, with the warm Washington sun beating down outside, completely to forget that elsewhere 10,000,000 farmers stand in the ever-lengthening shadow of starvation earnings and loss of morale.

Today I listened with a great deal of—shall I say pleasure?—to the significant statements of Senators when they spoke about the need of staying in session to stop the possibility of war, or of America's getting into war. I agree with that conclusion. Our common concern today over foreign affairs and bond issues seems very great. It is very easy for us to forget that the $60,000,000,000 American farm investment totters on the brink of financial annihilation. In Washington it is perilously simple for us to ignore the gaunt tanned man who swaps his toil in a losing barter, in which his rightful wage is lost in the shifting sands of commodity price levels.

In Washington it is too easy and too politic for us to become so engrossed in conciliating various pressure groups that we lose sight of the great basic industry of the country.

In Washington it is sometimes too expedient to play the farm interest "against the middle"; to stall one bill while another is introduced; to consider one isolated, completely unintegrated part of a program, independent from a coordinated program; and to stir the cauldron of farm cross-interest for political purposes rather than to settle the problem.

Mr. President, I desire to bring to the attention of the Senate—and I shall not take more than 5 minutes—the fact that we do not seem to be getting anywhere in solving the farm problem. To me it is the greatest problem before the American people, because the farmers of the Nation constitute the economic backbone of the Nation. We sit here and laugh and talk and discuss other issues and let the backbone crack up.

Several months ago, because every sector of our farm group had individual bills introduced, I suggested the need of a coordinated bill wherein every farm section would be represented. Nothing came of that suggestion, so on the 28th of March I introduced an amendment to House bill 5269, calling for an appropriation of $100,000,000, $50,000,000 of which was to be used under section 32 of the A. A. A. Act to buy surplus butter.

After the bill was introduced, a conference was called, and some of the dairy and wheat farmers met in the office of the Senator from Illinois [Mr. LUCAS]. In view of the fact that there has been some talk among Senators as to what went on, I am glad to state that the purpose of the meeting apparently was to see if a coordinated bill could not be worked out. As a result, the Senator from Illinois was appointed chairman of a subcommittee, and he appointed the Senator from

Wisconsin [Mr. LA FOLLETTE] and the Senator from Idaho [Mr. CLARK] as members of the subcommittee.

It will be observed that the Republicans were not represented on the subcommittee.

What I cannot understand is that the Senate amendment to House bill 5269 was introduced thereafter, on April 6, as the bill resulting from the work of this subcommittee; but up to date no coordinated bill has been whipped into shape, no bill representing the interests of cotton, corn, wheat, dairy products, and so forth.

Another meeting of the committee was held recently, with the result that the subcommittee, as I understand, was to carry on with the other sectors of the agricultural picture, and see if a bill could not be gotten into shape that would satisfy the varied interests of the farm industry.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. WILEY. I yield.

Mr. CLARK of Missouri. Merely for the purpose of keeping the record straight, I desire to make a brief statement.

The Senator has just stated that the subcommittee which was appointed consisted of the Senator from Illinois [Mr. LUCAS], the Senator from Wisconsin [Mr. LA FOLLETTE], and the Senator from Idaho [Mr. CLARK]. I am perfectly willing to assume my part of the responsibility for whatever has been done by the subcommittee. It was the Senator from Missouri, and not the Senator from Idaho, who was the third member of the subcommittee.

Mr. WILEY. I beg the pardon of the Senator from Missouri. Was he on the subcommittee?

Mr. CLARK of Missouri. I certainly was; and I am perfectly willing to defend in the Senate, and before any Senate committee, the actions which have been taken by the subcommittee.

Mr. WILEY. I am not attacking the subcommittee. I am not attacking anyone. I am directing the attention of the country to the fact that we may discuss various things here. As was suggested earlier in the day by the Senator from Alabama [Mr. BANKHEAD], we may hold sessions of our committees, and we may arrive nowhere. As to the subcommittee, I want to say that when meetings were held by it, apparently the subcommittee was to report back to the general committee. We have had no report so far as I know.

At the time the committee was called into the office of the Senator from Illinois [Mr. LUCAS] I had in preparation a bill which represented the "Wisconsin idea" for taking care of the dairy farmers' interest. When the meeting was held, and again the coordinated idea was advanced that all "farm interests" should join to see if some feasible, practicable, and constructive plan could not be evolved, I went no further in introducing the bill on behalf of the dairy interest. I am informed that such a bill will be introduced soon.

I make this statement to dispel a little smoke screen that has been thrown out in this matter. My real object, however, in rising to my feet at this time is to pray to this session of Congress that they will recognize, as most of us do not recognize, the serious situation of the farmers. I mean that they are literally bleeding to death. Letters to this effect continually pour in from my State. Now letters are pouring in from bankers who tell us about the situation. I am bringing the matter to the attention of the Senate, as I say, because I expect to be gone for the next few days, and I feel that I should be remiss in the discharge of my duty if I did not make this statement.

I have introduced in the Senate a measure known as Senate Joint Resolution 93, which provides for a common-sense moratorium in relation to the foreclosure of mortgages by the Government. Up to date that bill has gotten nowhere. I have tried to get somewhere before the committee and to find out what is going on. As you know, the facts are that the Government is foreclosing mortgages and adding to the broken morale that has already grown to vast proportions. The Government, through its agencies, goes right on foreclosing, literally kicking people off the farms, making bums of many of them, putting the rest on W. P. A., and adding more and more people to the class known as "broken morale folks."

On April 27 I submitted in the Senate a resolution the purpose of which was to call to the attention of the Congress and the people a supplementary way of aiding the farmer. In the resolution I suggested that the President investigate the feasibility of entering into some barter arrangement to obtain materials which we do not produce in this country by exchanging dairy products for them.

Everyone knows that the price the farmer gets for his milk which produces butter and cheese is away below what it should be. During the past year the Government and its agencies accumulated about 80,000,000 pounds of butter. No effort was made by the Government to dispose of that butter in foreign markets, and no effort is now being made. It hung like the sword of Damocles above the heads of the farmers, with the result that the market for butter and milk products dropped to its present ruinous level.

Several months ago I talked to the Secretary of Agriculture about that situation, and I again talked with him several weeks ago, suggesting that this butter be sold in foreign markets even if a loss had to be taken, since the loss the Government would sustain was nothing compared with the loss the farmers were sustaining because of the depreciated market. At that time I was informed by the Secretary himself that he and the President and others felt that the American people would not approve such a step. The idea was to feed this butter out to the needy and the underprivileged of the Nation.

While I feel that this decision was honestly arrived at, I think it was a foolish decision. I am informed that most of the surplus butter could have been disposed of some months ago in foreign markets at 20 cents a pound or better, which is about 7 cents below the amount the Government had invested in the butter. If the Government had sold the butter, and had taken the money it would have received and purchased with it part of the butter that was being currently produced in America, it would have stabilized the market here, the farmers would have gotten somewhere near the cost of production for their butter, and the dairy farmers would not be facing the condition they are facing today.

Under our plan for rearmament there are certain necessary and vital so-called strategic war materials which we need, and which we do not produce in sufficient amounts in this country. Other countries which owe us money should sell us this material, and apply the purchase price on their indebtedness. If this arrangement cannot be worked out, then these countries should barter with us, exchanging their surplus strategic materials for our surplus dairy products.

I am grateful to the Senator from Kentucky for yielding to me sufficient time to make this statement.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORTS OF COMMITTEES

Mr. WAGNER, from the Committee on Banking and Currency, reported favorably the nomination of Leon Henderson, of New Jersey, to be a member of the Securities and Exchange Commission for the remainder of the term expiring June 5, 1939, vice William O. Douglas.

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nomination of Thomas M. Simpson, to be postmaster at Hagerstown, Md., in place of J. T. Hartle, deceased; and also the nominations of several other postmasters.

Mr. HILL, from the Committee on Commerce, reported favorably the following nominations:

Pay Clerk James Black to be a chief pay clerk in the Coast Guard, to rank as such from March 1, 1939; and

Pay Clerk George M. Bailey to be a chief pay clerk in the Coast Guard, to rank as such from April 14, 1939.

The PRESIDING OFFICER (Mr. SCHWARTZ in the chair). The reports will be placed on the Executive Calendar.

CIVIL AERONAUTICS AUTHORITY—EDWARD P. WARNER

Mr. HILL. Mr. President, yesterday the Senate confirmed the nomination of Mr. Edward P. Warner, of Connecticut, to be a member of the Civil Aeronautics Authority. I ask unanimous consent that the President be notified forthwith of the confirmation.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the President will be notified.

If there be no further reports of committees, the clerk will proceed to state the nominations on the calendar.

COLLECTOR OF INTERNAL REVENUE

The legislative clerk read the nomination of Lipe Henslee to be collector of internal revenue for the district of Tennessee.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. McKELLAR. Mr. President, I ask unanimous consent that the President may be notified of the confirmation of this nomination, as there is a vacancy because of the death of the former collector.

The PRESIDING OFFICER. Without objection, it is so ordered, and the President will be notified.

IN THE MARINE CORPS

The legislative clerk proceeded to read sundry nominations in the Marine Corps.

Mr. BARKLEY. I ask unanimous consent that the nominations in the Marine Corps be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the nominations in the Marine Corps are confirmed en bloc.

That concludes the calendar.

ORDER FOR ADJOURNMENT TO THURSDAY—AUTHORITY TO COMMITTEES TO REPORT, ETC.

Mr. BARKLEY. As in legislative session, I ask unanimous consent that when the Senate concludes its business today it adjourn until Thursday next; that in the meantime the Vice President be authorized to sign bills and resolutions, that committees be authorized to report bills, resolutions, and nominations, and that the Secretary of the Senate be authorized to receive messages from the House.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Kentucky? The Chair hears none, and it is so ordered.

ADJOURNMENT TO THURSDAY

Mr. BARKLEY. As in legislative session, and under the order just entered, I move that the Senate adjourn.

The motion was agreed to; and (at 5 o'clock and 47 minutes p. m.) the Senate adjourned, the adjournment being, under the order previously entered, until Thursday, May 4, 1939, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 2 (legislative day of May 1), 1939

COLLECTOR OF INTERNAL REVENUE

Lipe Henslee to be collector of internal revenue for the district of Tennessee.

PROMOTIONS IN THE NAVY

MARINE CORPS

Donald K. Kendall to be a lieutenant colonel.

Evans F. Carlson to be a major.

HOUSE OF REPRESENTATIVES

TUESDAY, MAY 2, 1939

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Spirit of the living God, oh, that all men might know Thy atoning Lamb that taketh away the sin of the world; Master of Truth, descend upon us that we may testify to the sublime virtue of Thy holy name. As each day sets its task, steady us with concentration and perseverance and hold us to the conviction that triumph or failure rests with us. Heavenly Father, make us altogether worthy of the world's daily life; fill us with grace that we may enjoy the passing hours. Increase the power of our faith and inspire us with the realization that happy is the man who has his open Bible, who meditates, prays, and feels that the creation itself shall be delivered from the bondage of corruption into the liberty of the glory of the children of God. In the name of the Christ, our Saviour. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 685. An act to create a Division of Water Pollution Control in the United States Public Health Service, and for other purposes.

LEAVE OF ABSENCE

Mr. SHANNON. Mr. Speaker, I ask unanimous consent that I be given a leave of absence for 1 week in order that I may attend the obsequies of my lifelong friend, Frank P. Walsh, of Kansas City and New York, who died suddenly and unexpectedly this morning.

Mr. Walsh was one of the greatest men it has been my privilege to know. He was a great American—great in Kansas City, great in New York, great in the world. Wherever Frank Walsh was, there was a man truly great in every respect.

He was the unfailing friend of the common man, the untiring champion of mankind in the battle for human rights. Even this morning, with death so near, he was representing the people before the Power Authority of New York.

Frank P. Walsh was my friend for more than 50 years. He was everything to me. To use the immortal words of Robert E. Lee at the time of the death of Stonewall Jackson, "I feel that I have lost my right arm." And well might this be said by all suffering and oppressed humanity, for Frank Walsh was their advocate, their friend.

The SPEAKER. Is there objection to the request of the gentleman from Missouri for a week's leave of absence?

There was no objection.

EXTENSION OF REMARKS

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein a few excerpts.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. LELAND M. FORD. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. LELAND M. FORD. Mr. Speaker, I am presenting a resolution entitled "Withholding Relief Benefits from Those Engaged in Un-American Activities." This has to do with the Federal Government's subsidizing people who make it their business to become professional agitators, professional rioters, breakers of the law, and disturbers of the peace, and who are living on money furnished by the United States Government. I am referring this to the committee investigating the W. P. A., and I hope that every Congressman who has the welfare of this country at heart will vote to help me get this resolution through to take these people off the rolls of the United States Government. [Applause.]

Resolution withholding relief benefits from those engaging in un-American activities

Whereas throughout the world certain philosophies of government have arisen which are inconsistent with that of the people